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# Political and Social Progress in Latin-America



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## INDIVIDUAL EFFORT IN TRADE EXPANSION<sup>1</sup>

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By HON. ELIHU ROOT,  
United States Senator from New York.

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Governments may hold doors open all over the world, but if there is no one to go through them it is an empty form, and people get tired of holding doors open as an empty form. The claims of a government to consideration soon come to be regarded as pretentious unless there are really substantial interests behind the claims. No government, and least of all our government, least of all a democratic republic, can make commerce to go through open doors, to avail itself of fair and equal treatment, and to give substance and reality to the theoretical increase of amity and friendship between nations. The people of the country must do it themselves, and they must do it by individual enterprise; they must do it by turning their attention toward the opportunities that are afforded by friendly governments, by availing themselves of those opportunities, and by carrying on their business through availing themselves of them. But while it is a matter of individual enterprise, while that must be the basis of all development and progress, all advance, all extension, nevertheless, there must be something besides the individual enterprise. The great principle of organization which is revolutionizing the business and the social enterprise of the world, applies here as it applies elsewhere. No single business can make very much advance except as all other business of the country makes advance. No one can go into a new field very far in advance of others; and the way for each man to make his business successful in a new field is to do his share as a member of the community, as a citizen of his country, as one of the great business organizations of his country, to advance the trade, the commerce, the influence of his country as a whole in the field into which he wishes to enter. A recognition of the dependence of each man's business for its prosperity and progress upon the prosperity and progress of the business of all is necessary in order that

<sup>1</sup>Address delivered at the Pan-American Commercial Conference, Washington, D. C., February 17, 1911.

there be real progress. Now, there are governments which undertake actively to lead in this direction, and they are governments which are making enormous progress. Germany, a country regarding which Mr. White has just spoken in such apt and appropriate terms, leads, and to a considerable extent in various directions, it requires the combination of her manufacturers, her producers, and her commercial concerns. Japan practically does also. There is solidarity brought about by the wonderful organization of that combination; so that it is one for all, and all for one, under government leadership. We can not do it here. Our country can not take that kind of lead. Our people do not conceive of that as a function of government, and as far as the activities of our government are concerned, they are largely engaged in breaking up organizations which do increase the industrial efficiency of our country. I do not want to be understood as criticizing that. It is all right to break them up when they are taking too great a portion of the field for themselves. It is all right and important to break them up when they are monopolizing the means of subsistence that should be spread throughout the great body of the people. But we must recognize the fact that when our government does enforce the law—a just law, wise law—against our great commercial and our great industrial organizations, it reduces the industrial efficiency of the country. There is only one way to counteract that effect, not violating any law, but securing through organization the united action, and concentrated action of great numbers of Americans who have a common purpose, substituting that kind of organization for the organizations which it is the duty of our government to break up, because they are contrary to our laws.

I am much gratified by this meeting and by the association of so many practical men, business men, who, by uniting, are really creating a new force in this direction, upon which I am sure we ought to move.

Let me say one thing about the practical direction of your efforts. The so-called ship subsidy bill has been reduced now to nothing but the proposition that the government should be authorized to pay out of the profits of the ocean mail service adequate compensation to procure the carriage of the mails by American steamers to South America; that is what it has come down to. It passed the Senate, as Mr. White has said, only by the casting of the vote of the Vice-President, and I do not know

what will be done with it in the House. I am afraid in these last days that it may be lost in the shuffle.

There are two reasons why that perfectly simple and reasonable proposition failed to carry a great majority of the Senate, and fails—if it does fail—to be certain of passing the House. One is because there is a difference between the people who want to have the thing accomplished about the way in which it should be accomplished. That is one of the most common things in the world. A certain set of men who want to have a revival of our merchant marine say the way to do it is to pay subsidies, the way to do it is to equalize the differences between the cost of maintaining and running an American ship and the cost of maintaining and running a foreign ship, and to equalize the subsidies paid by practically all the other great commercial nations to their steamship lines. Another set of men who equally desire to restore our merchant marine say that is not the right way; the right way is to throw open the doors and enable our people to buy their ships abroad; but still others say the true way is to authorize our ships to employ crews and officers of the low-priced men of the world, relieve them from the obligations that are imposed upon them in respect of the employment of Americans, people of the United States, who will require the high standard of living that has been produced in the United States by the operation of our protective system, relieve them from the obligations which are imposed upon them by our laws in regard to the requirements of the crew and air space, the food, and the treatment that a crew is to receive, so that it will be cheaper to run an American ship. Now, between these different sets of people, having different ideas of the way to accomplish a thing, nothing is done; and that situation which exists so frequently regarding so many measures will exist forever unless there is put behind the proposition a force that gives it a momentum to carry it over such obstacles; put force enough behind it so that the gentlemen in the Senate and House of Representatives understand that they are going to be held responsible by the American people, going to be held responsible for not doing the thing, for not finding out some way to do it, and they will come to this sensible conclusion very shortly, and that is:

“We will settle the controversy about the way it should be done

by trying one thing first, and if that don't work we will try the other."

Another difficulty about this measure is that there is a difference in appreciation of its importance in different parts of the country. Down here on the seaboard I think most people do appreciate it. You appreciate it; all the people who are concerned, or wish to be concerned, in South American trade, or trade of the Orient, appreciate it; but you go back into the interior of the country, into the great agricultural states of the Northwest, and the farther Middle West, states along in the valley of the Mississippi and the Missouri, and the people there are thinking about other things, and they have a natural dislike for subsidies, and when told that a measure means giving somebody else something for nothing they express and impress upon their representatives a great dislike for it. The way for us to get something done is not for us who are in favor of it to talk to each other about it. We can do that indefinitely without getting much further. The way is to take steps to bring to the minds of the people of the valley of the Missouri and the Northwest, and those great agricultural states the importance to them, as well as to us, of having our merchant marine restored.

I noticed here the other day that the people of San Francisco were justifying their confidence in themselves by procuring all their business correspondents in the State of New York to write letters to me in favor of having the great "Exposition and Celebration of the Opening of the Canal in San Francisco;" and these letters came in by the thousand from my constituents. They became so tiresome that I came very near voting against the project as a measure of revenge, but it showed the San Francisco people understood where to go in order to preach their doctrine. They did not talk to each other on the Pacific coast about it. They came to New York and got their business correspondents interested in it and got them to talk to their representatives about it. That is what you want to do in Kansas and Nebraska and Iowa and the Dakotas—you want, through all the relations that you have, and by every means in your power, to represent to the people of those great interior states, who have but little direct relation with the ocean commerce of the world, the real conditions under which we exist, and the importance to the whole country of doing some-

thing; and if they do come to appreciate the importance to the country of doing what you are talking about, then they will be for it, for they are sincere, patriotic Americans.

There is but one thing more I want to say regarding the relations which underlie the success of such an enterprise as you are now engaged in. Of course, you have had a great amount of advice and a great many speakers have told you a great many things you know, and I am going to put myself in line with the distinguished gentlemen who have preceded me by doing the same thing. At the basis of all intercourse, commercial as well as social, necessarily lies a genuine good understanding. That can not be simulated; the pretense of it is in general in the long run futile: People trade with those with whom they have sympathy; they tend to trade with their friends. The basis of all permanent commercial intercourse is benefit to both parties—not that cutthroat relation which may exist between enemies, where one is trying to do the other—and a relation upon mutual respect, good understanding, sympathy, and friendship, and the way to reach the condition which is thus essential is by personal intercourse and acquaintance between the men of Anglo-Saxon or German or Norse, or whatever race they may be, peopling the United States, and the men of the Latin-American race peopling the countries of the South. This is something, my friends, in which our people are very deficient. So long we have been separated from the other nations of the earth that one of our faults is a failure to appreciate the qualities of the people who are unlike us. I have often had occasion to quote something that Bret Harte said about the people of a frontier western camp, to whom came a stranger who was regarded by them as having the defective moral quality of being a "foreigner." Difference from us does not involve inferiority to us. It may involve our inferiority to somebody else. The sooner our business men open their minds to the idea that the peoples of other countries, different races and speaking different languages and with different customs and laws, are quite our equals, worthy of our respect, worthy of our esteem, regard, and affection, the sooner we shall reach a basis on which we can advance our commerce all over the world. A little more modesty is a good thing for us occasionally; a little appreciation of the good qualities of others—and let me tell you that nowhere on earth are there more noble, admirable and lovable

qualities to be found among men than you will find among the people of Latin-America.

Gentlemen, I hope for you the effectiveness of a great and permanent organization and that you may advance the time when through more perfect knowledge, through broader sympathies and a better understanding, ties of commerce may bind together all our countries, advance our wealth and prosperity and well-being with equal step as they advance the wealth and prosperity and well-being of all those with whom we deal, and advance the tie of that perfect understanding of other peoples which is the condition of unbroken and permanent peace.

## THE FOURTH INTERNATIONAL CONFERENCE OF THE AMERICAN STATES<sup>1</sup>

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BY HON. HENRY WHITE,

Chairman of the American Delegation to the Fourth International Conference of the American States.

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The promotion of friendship and closer relations with Latin-America is not a new subject to me. On the contrary, it is one, the vast importance of which to our interests and to those of the countries in question I have long realized, and its importance will be immeasurably increased with the opening of the Panama Canal. For years past I have availed myself of every opportunity to cultivate the friendship of the diplomatic representatives accredited from the other American republics to the country in which I happened for the time being to represent the United States, and to make them feel that they shared with me the honor of representing America as a whole. The result of this was not only the creation of a strong feeling of American solidarity among us all, the moral effect of which was beneficial to our respective interests in the particular foreign country to which we were accredited, but it also enabled me to realize how earnestly all the best elements in the different countries of Latin-America desire closer relations with the United States and the chief obstacles which exist to the complete realization of that desire.

It is deeply to be regretted that those vast fields for lucrative investment to the south of us—particularly in the far South—have unfortunately attracted little or no attention among our own people, and it is a source of delight and satisfaction to me which I can but inadequately express, to realize that at last we have begun to turn our attention, as a nation, to this most important subject, and that representatives of distinguished commercial bodies from all sections of the country are here in conference assembled to discuss it seriously.

Well, gentlemen, greatly as the importance of our relations with countries to the south of us had previously impressed itself

<sup>1</sup>Address delivered at the Pan-American Commercial Conference, Washington, D. C., February 17, 1911.

upon me, that impression was strengthened a hundred fold by my visit last summer to those two great countries of the far South, Argentina and Chile.

I wish I could give this assembly an adequate idea of the complete harmony that prevailed, and feeling of American solidarity, in the deliberations of that great Parliament of America, the Pan-American Conference at Buenos Ayres, which sat for over seven weeks, and in which not a single unkind or unfriendly word was uttered from beginning to end; of the desire manifested by all other delegates to fall in as far as possible with the views of their colleagues from the United States; and of the warm personal friendship established, which, as far as I am concerned, will be lasting between each and every delegate to the conference.

You will, however, shortly have in your hands the report to the Secretary of State of our delegation to the late Buenos Ayres conference, and I would suggest that every member of this conference read the allusions to our country made in the opening and closing speeches of the two Argentine Ministers of Foreign Affairs, who successively held office during the sessions of the conference, and also the speeches of the President of the conference, himself, on the days of its opening and of its close. I may add that similar sentiments were expressed by the Chilean President and Minister of Foreign Affairs, during the official visit which our delegates made, as a special embassy to the hundredth anniversary of Chile's independence, in speeches which they made on our arrival and departure.

But perhaps the most interesting feature of the conference—and the most important to us—next to the harmony and friendship which characterized its deliberations, was the close friendship which sprang up there between the three great powers of the far South—Argentina, Brazil and Chile—known with ourselves as the “A, B, C” of the conference, and the way in which they availed themselves of every opportunity to show their friendship separately and collectively for our country. Neither of the three ever voted otherwise than as our delegation did. We always voted first—by the conference's arrangement, not ours—and the other three voted in the order mentioned, immediately after us; and on the whole, there was very little voting against those four delegations.

Whatever may be said or written to the contrary by those

whose interest it is to promote discord between the countries of Latin-America and ourselves, I have no hesitation in asserting that those great powers of the South have no longer any fear of our wishing to obtain territorial extension at their expense or at the expense of any other country, or of our aspiring to any other undue advantage over them; and they sympathize fully with the efforts our government is making to improve conditions in Central America. It is to my mind of the greatest advantage to all America, and to this country particularly, that there should be at the southern end of our hemisphere three important powers in complete sympathy with each other and with ourselves, and anxious to develop trade relations to the greatest possible extent with us.

Those great countries are above all things desirous that our merchants should come there and do business with theirs, and they cannot understand why we should so long have neglected the opportunities they offer us, and should have left them entirely in the hands of other great commercial countries. Not only Great Britain, which has been investing for more than a century in the Argentine Republic and other American countries, has, I was credibly informed, 2,500,000,000 of dollars invested in the former alone, producing an average annual return of at least 10%, but Germany, Italy, France and other countries—the first particularly, are doing likewise. A first-class passenger and freight steamer arrives nearly every day at Rio de Janeiro and Buenos Ayres from one European port or another. There are a number of British, German, Italian and other foreign banks, in those and other Latin-American cities, and, what is perhaps most important of all, the citizens of the countries named go to Latin-America themselves—or send fellow citizens in whom they have confidence, knowing the language of those countries—and attend in person or through such fellow citizens to their own business. And in this connection, I venture to appeal to those present here to-day to urge every youth and young man upon whom they have any influence to learn the Spanish, and if possible, one or two other languages, particularly French and German.

But how is it with us—the nation of all others whose influence should be felt in those countries? Not a single American bank in Buenos Ayres or Santiago; the official representatives of our country having to cash their drafts on the Treasurer of the United

States through a British or other bank, via some European city. One direct passenger steamer a month from New York to Buenos Ayres and intermediate ports on the east coast of South America, taking about twenty-five days for the voyage, and another requiring a change of steamers at Rio, in about the same time; and those two ships under the flag of another country!

In addition to this, scarcely an American is to be found permanently representing American business interests in Buenos Ayres, even the sale of the machines of one of the greatest of our agricultural machine manufacturers being in the hands of an agent not of our own nationality, who also sells similar machines from his own country. Can that man be blamed if he gives the preference to the machines of the country from which he hails, and only sells ours when they are asked for? Of course not. And I could, if time allowed, give many similar instances of the way in which we have been positively inviting other great countries to take the lion's share of these wonderful opportunities for investment; an invitation of which they have certainly not been slow to avail themselves.

The whole situation is simply incredible to anyone who has not actually been there and seen it for himself. I have however derived much consolation during the past few days from the knowledge that the head of one of our large business firms has been recently himself to the Argentine and Chile, and has secured a ten-year contract, the largest ever made, I am told, for the supply of his particular commodity in any foreign country, and I hope, when the particulars of this transaction become known, I am not at present allowed to mention names, and especially when the voluminous returns which are certain to result from this investment, begin to be realized, that other fellow citizens of ours will follow this admirable example in constantly increasing numbers.

Gentlemen, I am not a statistician, and if I were I should not permit myself to take up your time to-day with a series of figures to show how much we are losing annually by the policy we have hitherto pursued in respect to commercial intercourse with South America.

I would merely say that in my opinion there is but one way—and one way only—by which that intercourse can be placed on a proper footing, and that is by ships of our own, such as the other great commercial countries of the world, who now practically

monopolize the trade with South America, have. By ships I mean first-class, fast passenger and freight carrying steamers, flying our own flag, between our ports and those of Central and South America.

Nothing can be more derogatory to our dignity and to our interests in those countries than the fact that our flag is never seen there on merchant steamers. This statement some persons may consider sentimental. I can assure you that it is not, but eminently practical, there being no question as to the fact that we pay an enormous sum to other nations—I understand upwards of \$300,000,000 annually—for the privilege of carrying our over-sea commerce. In comparison, any subsidy that could be imagined would be the merest trifle, quite apart from the fact that under present conditions we are contributing largely toward the increase and maintenance of the merchant marine of other countries, which must at least be useless to us, and might be hostile, in the event of war. For this reason, I cannot help deeply regretting the fate which seems likely to befall in Congress the bill popularly known as the Gallinger Ship Subsidy Bill, providing moderate subsidies for steamers of not less than sixteen knots, running between our ports and those of Central and South America. It was only passed in the Senate by the Vice President's casting vote, and will, I am told, be defeated in the House of Representatives.

I am wholly unconnected with any business interests, and consequently, with any shipping interests, having devoted the past twenty-eight years of my life solely to the diplomatic service of the United States. I am neither for nor against subsidies, and am inclined on general principles to be against them rather than in their favor. But I am for ships, merchant ships under the American flag, between ports of this country and the rest of America, and if we cannot get these ships otherwise than by subsidies, then I am for subsidies, or for any other measures that will give us means of communication with our sister republics.

The size and speed of the steamers, which the European commercial powers are sending to South America, are being steadily increased; and the Italians have now two or three new ones averaging eighteen knots an hour. With such ships, the voyage from New York or other ports of the United States to Buenos Ayres could be performed in less than fourteen days, and to Brazil in about eleven

days. In order to get the American delegation to the Pan-American Conference, under our own flag, the government had to send us out in an army transport which, averaging only eleven knots, took twenty-one days for the voyage.

Nations are like individuals; they cannot become intimate with each other unless their respective citizens meet from time to time, and exchange views in personal intercourse. Still less are they likely to trade freely and to have confidence in each other save under those circumstances. On the other hand, they are not unlikely to drift apart and become suspicious of each other, if they never do meet, and the only way in which the people of the countries south of us are likely to come to us, or ours to go freely to them, is on good, fast steamships. At present the only comfortable way of making the voyage is via Europe.

Nothing can be more interesting and remarkable than the manner in which the Germans during the brief period of their existence as a great nation, and particularly of late years, have realized that it is by merchant ships of their own, carrying their goods all over the world in exchange for other goods which they bring home, *rather than by colonies*, that their influence can be most advantageously and profitably exercised throughout the world. They are consequently competing most successfully by means of their fine merchant steamers, which they do not hesitate to subsidize whenever desirable, for the trade of South America, with all the other powers now engaged therein. And I say this in no spirit of hostility, but, on the contrary, with the greatest admiration for the manner in which that great nation has realized, from the first, the best way of extending its influence and of increasing its wealth, and has allowed no question of expense or any other obstacle to stand in the way of the attainment of those objects which are not only legitimate but of vital importance for every nation. Even the Japanese, who are not supposed to be a wealthy nation, but are a very marvelous and intelligent nation, have realized also the importance of the South and Central American trade, and are beginning to compete for that of the West coast with a line of subsidized merchant steamers, and very good steamers they are, too, running to Salina Cruz in Mexico, thence to Callao and from there to Valparaiso; returning to Japan by the same route.

I cannot believe that we are the only nation unable to have  
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ships wherewith to compete for our share of that great commerce which is particularly within our own sphere, and should be ours, any more than I can believe that we are the only great nation of the world which cannot have a sound monetary system—a system whereby our periodical financial panics, which are the laughing stock of the world and bring ruin to thousands of our citizens, would be avoided, and whereby, if we had such a system, as I believe we shall have before long, this country would become the financial center of the world.

I would therefore urge the great commercial bodies of the country, whose representatives are here to-day, and those who are not represented also, to bring all possible pressure to bear upon members of Congress from their respective districts, with a view to turning their attention to the restoration of our merchant marine—at least to the seas between our ports and those of Central and South America; whether by subsidies or otherwise, I care not, so long as we have the ships! But ships we must have, or resign ourselves to becoming a tributary nation in so far as our ocean-borne trade is concerned, to those who carry it for us. I suppose that no one here doubts that foreigners carry our products on terms most advantageous to themselves and not to us, and in their own way.

If, however, Congress has not seen its way to the restoration of our merchant marine in American waters, I am happy to say that that distinguished body took a step last week of far-reaching importance to our commercial interests, for which it deserves all possible credit. I refer to the bill which was passed by both the Senate and House of Representatives for the purchase of houses for our embassies, legations and consulates in foreign countries.

I have trespassed too long upon the time of this assembly to venture upon a dissertation upon the importance, to the furtherance of our commerce particularly, of that measure; but I am happy, from the point of view of our relations, commercial and otherwise, with our sister republics of America, to find that the provisions of this Act of Congress are such as practically to compel our government to limit its scope at present to those particular countries, in which it is of greater importance even than elsewhere, that we own, without a moment's further delay, our official buildings.

I understand, but have not yet seen the Act since its passage,

that no more than \$150,000 can be spent under its provisions upon any one building. It will be perfectly possible to obtain commodious and suitable buildings within that limit, in every South and Central American capital, except Buenos Ayres, where it will not be possible to do so, owing to the enormous rise during the last year or two in the price of land in the best sections of that city, and to the great expense there of building and of everything else.

And here, I should just like to say a word about the stress which has been laid during discussions on this subject in Congress, in the press, and elsewhere for many years past, upon the alleged impossibility for an ambassador or minister, with little or no private means, of living in a house costing \$150,000, \$200,000 or \$300,000, or whatever the amount may be. It never seems to have occurred to those raising that question that the cost of a house depends entirely upon the place in which it is situated. In the best residential districts of New York, a house costing \$150,000 would be a small one, so would such a house be in similar districts of Buenos Ayres, London, Paris, Berlin, Vienna, Rome or St. Petersburg, where houses of moderate size cost upwards of \$300,000, and even \$400,000, according to the price of the land on which they are built, and to other local conditions. The main point is to have a house of suitable size for our foreign representative to inhabit so that he shall not be dependent upon the rapacity of local landlords, or have to spend the whole of his salary upon his house rent, as is the case with our present minister to the Argentine, Mr. Sherrill, who has rendered invaluable service to our commercial and other interests in that country. He not only has had to do this, but has been turned out of the house in the middle of his term of office because the landlord wanted it for himself, and the same thing has frequently happened to our ambassadors in the great capitals of Europe.

Our present ambassador to Italy has so far been unable to find any residence at all, owing to the overcrowded condition of Rome, and is living in a hotel, which is eminently derogatory to the dignity of the country he represents, and constitutes a situation against which other great countries protect themselves by owning their embassy houses.

This is a subject upon which I have felt most deeply ever since my early youth, when my national pride was humiliated upon going

to Paris, just after the Civil War, and seeing the dignified manner in which the other great Powers house their embassies and legations, while all that we could call a legation in those days consisted of a few rooms up three flights of stairs, over a corner grocery store! I still hardly dare trust myself to speak of it. But fortunately it is unnecessary any longer to do so, as Congress has at last taken steps to remedy the humiliation.

Suffice it to say that nations, as is the case with individuals, are respected by others, precisely to the extent to which such nations cause the impression to prevail that they respect themselves.

Nothing produces an impression of national self-respect so completely in foreign countries, or tends so much to the development of a nation's commerce, with the exception of a powerful navy, as dignified provision for the housing of its official representatives in such countries, and a merchant marine carrying its wares under its own flag to the uttermost parts of the earth.

We have had a powerful navy for some time past. We shall soon be housing our representatives and the valuable archives under their charge as other great nations do theirs. And it would appeal earnestly to every commercial body in this country to see that we get a merchant marine before the opening of the great international waterway at Panama; that work of Herculean magnitude, which it will soon have been the glory of our country to contribute to the promotion of international commerce and to the immeasurable benefit of mankind.

## THE FOURTH PAN-AMERICAN CONFERENCE

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BY PAUL S. REINSCH,

Delegate to the Fourth Pan-American Conference; Professor of Political Science, University of Wisconsin.

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The Fourth International Conference of American Republics was held in Buenos Ayres in the months of July and August, 1910. The Argentine capital was the scene of many celebrations and festivities during the last year in connection with the centenary of independence. The main commemorative celebration took place in May and June, at which time special embassies from a great many American and European countries were present. In connection with this celebration a number of international exhibitions were held which extended throughout the year. There was an international art exposition and exhibits of agriculture, transportation, decorative arts, sanitary methods and school administration. Both American and European exhibits were represented in these collections, which gave, however, an opportunity especially for a study of the development of the arts and sciences in the different countries of America. The sessions of the International Conference began after the close of the special commemorative exercises, but the conference itself was a part of this great commemoration of South American independence; and it is certainly a notable and encouraging fact that after one hundred years of independent existence, all the American republics are incorporated in an organization which represents the effort to develop among them the relation of amity and of cultural and economic intercourse. Friendly relations existing among the republics have been disturbed only at rare intervals during this past century, and American international life for that period has been the most peaceful ever recorded for so large an area and for so many independent nations.

The personal composition of the conference is of some interest as indicating the manner in which the countries cause themselves to be represented on such occasions. The honorary presidency of the conference was bestowed upon Mr. Philander C. Knox, the American secretary of state, and Sr. Victorino De La Plaza, the

Argentinian minister of foreign affairs. The latter, a gentleman of wide experience, especially with English and American affairs, opened the conference with an address in which he gave a striking expression to the purposes of the international union. He spoke of the great utility and advantages of these conferences, "which, aside from the opportunity they afford for the elucidation of those matters of common interest which constitute the basis of their programs, draw closer the bonds of union and friendship between nations, all of which are moved by aspirations toward the common ideal of liberty, civilization and progress." When Sr. De La Plaza resigned from the ministry in order to become vice-president of the republic, his successor, appointed *ad interim*, Sr. Larreta, was elected as a third honorary president. The acting president of the conference was Dr. Antonio Bermejo, the chief justice of Argentina. A highly trained jurist especially versed in questions of international law, a judge of long experience, he conducted the sessions of the conference with a quiet dignity and a sure hand. He was effectively assisted by the secretary-general, Sr. Epifanio Portela, who had been for several years Argentinian minister at Washington. The Argentine delegation was made up of men of wide experience and acknowledged ability. Three ex-ministers of foreign affairs, Sr. Montes de Oca, Sr. Larreta, Sr. Zeballos, and a former minister of finance, Sr. Terry, who has since died, represented the official experience; the president-elect of Argentina, Sr. Saenz Peña, was also a delegate, but he did not arrive from Europe until the very end of the conference. The Brazilian delegation was especially brilliant, being headed by Senator Murtinho, one of the most experienced men in Brazilian political life. It included two senators of Sao Paulo, Nogueira and de Freitas, Sr. Da Gama, Brazilian minister in Buenos Ayres, Sr. Da Cunha, who won the hearts of everybody, not only by his brilliant oratory, but through the genial manner in which he entertained his colleagues on all occasions with a wealth of anecdote and reminiscence, and the famous poet, Olavo Bilac, who illustrates in his career the manner in which Brazilians are apt to combine literary and political life. The Chilian delegation also represented a great breadth of experience and ability. Sr. Cruchaga, its president, is the Chilian minister at Buenos Ayres, a man of genial personality; it is characteristic that all of the political parties of Chile were represented on the delegation, which included Sr.

Cruz, the beloved Chilian minister in Washington whose recent death is mourned by all who knew him, Sr. Bello, member of the Second Pan-American Conference and grandson of the first great writer on international law in South America, Sr. Alvarez, counselor of the Chilian foreign office and well-known writer on international law subjects, and Sr. Mathieu. Among the personnel of the Chilian delegation, its assessor, Sr. Phillipi, ought to be specially mentioned, on account of the effective assistance he gave to the conference on one of the most difficult subjects of discussion, the matter of customs regulations. The Cuban delegation was headed by the genial General Garcia Velez; and it counted among its members Sr. Montoro, whose reputation as a great parliamentary orator in the Spanish Cortes has been augmented by his later work and achievements, a man whose rare personal charm and dignity endeared him to all and whose oratorical power, sparingly used by him, is a thing always to be remembered by those who have heard him. The delegation included another speaker of high merit, Sr. Quesada, who was for years minister in Washington and who now represents the Cuban government at Berlin. The other members of the delegation were Sr. Perez, president of the Cuban senate, and General Carbonell, one of the leading authors and editors of the republic. The Mexican delegation represented official experience in the person of Sr. Salado Alvarez, Sr. Ramos Pedrueza and Sr. Esteva Ruiz, while the academic world was represented by Professor Perez Verdia of the University of Guadalajara. Peru had sent the first vice-president of the republic, Sr. Larrabure y Unanue, who was also special ambassador of his country at the centenary celebration; with him were associated the Peruvian minister at Buenos Ayres, Sr. Alvarez Calderon and Sr. Lavalle y Pardo, another gentleman of long diplomatic experience. The head of the delegation of Uruguay was the veteran diplomat, Sr. Gonzalo Ramirez, who has long been looked upon as one of the leading spirits in the development of international law in South America. He was the principal mover in the codification of private international law undertaken by the Congress of Montevideo in 1889. His associates were gentlemen prominent in the political life and the legal profession of their country. The countries here enumerated are those which had larger delegations. The commissioners of those countries which had only one or two delegates similarly illustrate the repre-

sentative character of the assemblage. There were diplomats like Sr. Volio of Costa Rica, Sr. Ancizar of Colombia, Sr. Toledo Herrarte of Guatemala, Dr. Lazo of Honduras, Sr. Porras of Panama and Sr. Mejia of Salvador, while other men represented the legal and medical professions and political experience gained in national congresses, Venezuela was represented by two of her most noted literary men and publicists, Señor Manual Diaz Rodríguez and Señor César Zumeta. From this brief survey of the personnel of the conference, it will be seen that it was representative of the official experience and scientific expertise in political matters within these countries. Though coming from widely different fields of activity and countries separated, not only by distance in space, but divergences in social and economic development, they yet formed a group of men who, as they became acquainted with one another, co-operated in a spirit of frankness and sincere friendship. The personal relations formed upon an occasion like this are of themselves of significance and value. Nuclei of mutual understanding are established and relations begin to grow up by which the different countries are brought much closer together as they learn to mutually understand and sympathize with one another.

The program of the conference had been settled on the basis of instructions by the various governments of the union, by the governing board of the international bureau at Washington. Aside from formal matters of acknowledgment and commemoration, it included the consideration of the following subjects: improvements in the organization of the Pan-American Union, the completion of the Pan-American railway, the establishment of a more rapid steamship service between the republics, uniformity in consular documents and customs regulations, international sanitation, arrangements concerning copyright, patents and trade marks, treaties on the arbitration of pecuniary claims, and the interchange of professors and students among the American universities. The regulations and rules of procedure had also been fixed by the governing board, so that the conference could immediately address itself to the task of working out treaties and resolutions on the subjects of the program. Fourteen committees were appointed, among which the business of the conference was distributed. Thereafter for a while the conference took up only formal matters, giving the committees time and opportunity for a thorough discussion of their respective subjects. The manner in which the conference proceeded was

exceedingly business-like. It did not spend its efforts in spectacular oratory, somewhat to the disappointment of the local press, but it directed itself quietly and persistently to the accomplishment of the purposes before it,—that is to improve, in general bearing and detail, the relations between the republics along the lines determined by the program of the conference.

It is invariably the case that when a conference representing a large number of governments is called together, extravagant expectations are entertained as to what results it can bring about. The layman is apt to look at a conference of this kind as representing the sum of the energies of all the countries concerned. It is, therefore, his expectation that results of striking and immediately effective character should be produced. In the case of the Fourth Conference, too, the outside world feigned disappointment that the radical reform of the entire American world was not immediately to be brought about. The program was criticized as being too narrow, as not allowing full play to the energies thus brought together. This view even found expression on the floor of the conference through the Dominican delegate. But it represents a misconception of the functions of an international conference, which does not represent the utmost that the combined energies of the countries concerned might bring about, but the utmost which they can agree upon with practical unanimity. Its work must, therefore, aim to be entirely practical, based upon ascertained needs of international relations and traffic. The general ideals of American international life, would, of course, also be considered and developed on such occasions; but concrete results can be expected only as detailed and practical improvements are introduced in the machinery of international intercourse.

Working upon this practical basis, the several committees of the conference addressed themselves to questions of detail, leaving aside, for the most part, the rather fruitless field of theoretical discussions. Indeed it may be said that the transactions of the committees were not only highly interesting because of the differences of the points of view and experiences represented, but that they were also notable for the practical sense displayed and the readiness, after thorough discussion, to compromise upon matters of detail. After a few weeks of careful work and intense discussion, all of the committees brought forward drafts of resolutions and treaties

which were then adopted by the conference with practical unanimity. The work of the conference as it lies before us in complete form represents on a number of points a definite advance in the development of American treaty relations. The conference was not called together to originate any new lines of action, but to elaborate further those matters which had already been taken up by former conferences and to introduce such improvements in detail as would make their working more smooth and make them as a whole more acceptable to the American countries. The organization of the international union itself was simplified and improved. The name of the bureau at Washington was changed to "Pan-American Union" in order to recognize the importance gained by this useful institution; the name of the organization in its entirety was changed to the briefer form, "Union of American Republics." A draft convention was elaborated, in which the organization of the union and its functions are laid down in a simple form, so that when ratified this instrument may serve as a constitutional charter. New impulse was given to the further development of the branches of the Pan-American Union which, in the form of Pan-American committees, or commissions, have been established in each one of the countries. Treaties were adopted for the mutual protection of patents, trade marks, and copyrights. These treaties provide for the establishment of registry offices at Havana and at Rio de Janeiro. In the substance of the provisions introduced, with respect to the law of patents and copyrights, they follow the latest European or world-wide experience, embodied in the treaties of Berne, Berlin and Brussels. The treaty for the arbitration for pecuniary claims, which was first adopted at Mexico in 1902 and re-enacted at Rio de Janeiro, was again renewed after very thorough discussion in the committee. Many interesting points of international law arose, as it was suggested by members of the committee that the sovereign authority of the individual states should be safeguarded by providing for arbitration only in case of denial of justice by the local courts. But finally the treaty was adopted in its more general form, a great gain for international arbitration, as every limitation imposed in a treaty would act as an impediment to fullest effectiveness. In matters of sanitation the results of the various sanitary conferences held in the international union since the conference of Rio were approved and the adoption of their recommendations advised. The

latter refer not only to quarantine but also to the effectiveness of sanitation in regions exposed to infectious diseases. On the difficult subject of customs and consular regulations it was possible to arrive at an agreement which, if carried out by the republics, will result in material improvement of the conditions of international commerce. By adopting standard forms for consular documents, a uniform scale as to the amount of consular fees, and recommendations with respect to customs administration, the conference led the way toward the abandonment of methods that, on account of local differences, constitute a serious impediment to commerce in many cases. With respect to the Pan-American railway, the work of the existing permanent committee, headed by ex-Senator Davis, received recognition, and it was resolved that special efforts shall be made to bring to a conclusion this important undertaking through co-operation between the countries concerned.

A subject that appeared for the first time on the program of a Pan-American conference was the interchange of university professors and students. It was felt that such a mutuality of educational life would exercise a beneficent influence on the general relations among the republics of America. American countries would mutually benefit from the scientific experience of one another, as the problems by which they are confronted in their economic and political development, often receive special illustration from what has been achieved in one or the other of these republics. Agencies for the spread of such knowledge and information are important to the welfare of all. But beyond this, the personal relations established through such an interchange of students and teachers would serve to make much closer the bonds of friendship and mutual sympathy which now unite the American nations. Only a first impetus could be given to this matter by the conference, as data were still lacking as to what the educational institutions of the different countries were desirous and able to do in the matter of such an interchange, but resolutions were passed recognizing the desirability of establishing it on a systematic basis. The work done by the Pan-American Scientific Congress, held at Santiago in 1908, was also formally recognized and appreciated, and attention was called to the Second Pan-American Scientific Congress, which is to hold its sessions in Washington in 1912.

The treaties adopted by the Pan-American conference and the  
(600)

recommendations put forward by it, require ratification by the different governments before they can fully go into effect. In this connection it is important to remember that the treaties adopted at the conference of Rio in 1906 were all ratified by a large majority of the American states,<sup>1</sup> and are, therefore, in force as to those countries. In this respect the work of the Pan-American conferences has become constantly more effective. The first conferences had to feel their way. The whole world of possible means lay before them, and they had to select those lines of common action which promised effective results. The later conferences, building upon these tentative efforts of the earlier ones, have succeeded in elaborating a system of treaties which has proved in practice acceptable to the American republics. But even in matters upon which treaties have not been directly adopted, the work of the conferences has had a decided influence in affording opportunity for the gathering up of American experience, for the clarifying of opinion, and for the determination as to what line of action it is desirable to pursue and what objects may be striven for with a hope of ultimate success. The conference has become a clearing house of American political experience and opinion, and as it has decided to devote attention to matters of detail, its work will be progressively improved, so that each conference, instead of approaching only new problems, will be carried a step further toward the solution of the difficulties already considered by its predecessors. Comprehensive information, sympathy founded on real mutual understanding, and steady progress in the detailed solution of American problems, all these things are assuredly being realized in the institution known as the Union of American Republics.

Not the least advantage gained from these meetings, however, lies in that mutual knowledge and understanding between the two great branches of the American world, the traditions and history of which had formerly taken separate paths. Upon such well-founded mutual confidence and mutual helpfulness depends the future peace and welfare of our continent, nor are such friendly relations anything but a benefit to the rest of the world.

<sup>1</sup>Detailed data on these matters are given in Reinsch, "International Unions," ch. 3 (Ginn & Co., 1911).

## THE MONROE DOCTRINE AT THE FOURTH PAN- AMERICAN CONFERENCE.<sup>1</sup>

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So much has been written and said, especially of late, upon the subject of the Monroe Doctrine, that even among people of enlightenment, a real confusion of ideas has arisen. Even works upon International Law have not been exempt from lapses and inexactitudes in this regard. This confusion is due to the fact that no distinction is ordinarily made in what has come to be known as the "Monroe Doctrine" between the principles which properly belong to it and certain trends of policy which are foreign to it.<sup>2</sup> Distinctions should be made between (1) the Monroe Doctrine in its primitive form; (2) the hegemony of the United States on the American Continent; and (3) the imperialistic policy of that nation. The Monroe Doctrine, properly speaking, was simply the result of the necessity felt by all of the states of the New World of making their independence secure against the ambitions of Europe, a necessity resulting from the triumphs of their independence. The statesmen of the new nations realized then that their people must unite for such a purpose. These aims, which had not yet been definitely formulated, were crystallized in 1823, by the famous message of President Monroe. The declarations of an international character contained in this document may be reduced to three:

1. No European country may gainsay the right gained by the nations of the New World to their independence and sovereignty.
2. The right is recognized of these same American nations to organize such forms of government as best suit their interests without the intervention by any European country in the affairs relating to internal regulation, and

<sup>1</sup>The Academy desires to express its appreciation to Layton D. Register, Esq., of the Law Department of the University of Pennsylvania, for the translation of this article.

<sup>2</sup>I have devoted to just this subject a great part of my book published a short time ago in Paris: "Le Droit International Américain."

3. European nations are prohibited from acquiring by occupation any part of the American Continent.

These declarations, by their precision and definiteness, became henceforth the political creed of all the nations of the New World. They made clear, likewise, the bond of union which then existed not only among the Latin Republics of the continent but also between them and the United States. And this is so true that all those nations strove for the solemn proclamation of the Monroe Doctrine at the American International Congress which met at Panama in 1826. Shortly after its formulation by President Monroe, the United States, as the strongest and most influential nation, became the champion of this doctrine, and its acceptance by the other American republics was later confirmed by numerous declarations of the state departments, and by different cases of practical application in which the chief moving spirit was that same Republic of the North. From this has arisen the mistaken belief that the Monroe Doctrine is merely a rule of policy adopted by the United States and exercised for its sole and exclusive benefit, whereas in reality it is a union of declarations which, by reflecting faithfully the aims of a whole continent, and by the constant application it has received, possesses all the characteristics of an American principle of international law.

New needs arising out of the foreign policy of these countries have caused several amplifications of this doctrine, and they too have been accepted by all the nations of the continent. These amplifications establish that no European country may acquire, no matter what the motive, any portion of the New World, nor temporarily occupy all or part of a country even upon the pretext of civil or foreign war. The pretension has also been made that those amplifications of the doctrine apply not only as against European States, but even among the American nations themselves. But this pretension has not passed beyond the stage of a mere Utopia, since it has not been formally adopted with that unanimity which exists in the case of its application to European powers. Moreover it has always been violated in practice.

If the Monroe Doctrine and its more transcendental amplifications have been confirmed by express declarations from all the state departments of the American continent, the same cannot be said to have happened in the case of the other two elements which are generally conferred with it, i. e., hegemony and imperialism. This

doctrine of hegemony or leadership is simply a rule of policy of the United States which consists of imposing the opinions of her State Department upon America at large, whenever the former's interests are concerned, and of intervening in the internal and external affairs of any country of Latin-America in order to protect the interests of the United States and ostensibly to watch over the prestige of the Latin-American republics. This policy affects almost exclusively the countries bordering upon the Caribbean Sea. It is obvious that this attitude of the United States does not always coincide with the wishes of the South American continent; that, on the contrary, it is considered, upon occasions, to be a menace to the integrity and sovereignty of certain republics of this hemisphere. The imperialism of the United States is another rule of political action which also fails to find an echo in the opinion of South America. This policy is exercised within a broader sphere than that of hegemony. As in the case of the imperialism of the great European powers, one principal object of the United States is the development and expansion of her commerce and the opening of new markets in different continents until there shall be established a political and economic supremacy throughout the civilized world.

Thus we see that the policies of hegemony and imperialism of the United States, which are currently confused with the Monroe Doctrine, especially in Europe, are not principles of American international law, since they do not receive the adhesion of both the Americas. Only when stripped of these two elements does the Monroe Doctrine appear in its true light, the doctrine of a continent.

Having made these preliminary explanations, which are necessary for a perfect comprehension of what occurred at Buenos Aires to the Brazilian resolution, concerning the Monroe Doctrine, I will now enter upon the examination of the events to which this project gave rise and of the attitude which our delegation assumed on that occasion. In the middle of last July, the Brazilian Minister at Buenos Aires, his Excellency Señor Da Gama, explained to several members of the Chilean delegation that the late Ambassador of his country to the United States, his Excellency Señor Nabuco, had cherished the idea of presenting to the Conference at Buenos Aires a motion which would evidence the recognition by all the countries of America of the fact that the Monroe Doctrine had been beneficial to them. Nabuco had left in writing a formal declara-

tion, which the Government of Brazil, out of respect to the memory of the great statesman, desired to present to the Conference without any change. His Excellency Señor Da Gama added that his government was desirous of counting in this move upon the co-operation of Argentine and Chile. The proposition, furthermore, was to be presented only in case the acquiescence of all the other delegations could be counted on beforehand, so that it would be approved without criticism. In order not to go outside of the program of the Conference, the motion was to be proposed, not as a declaration of principles, but as a testimonial of appreciation presented by Latin-America to the United States upon the occasion of the first centennial of its independence. The resolution of Nabuco, endorsed by the Brazilian delegation, was in these words: "The long period which has transpired since the declaration of the Monroe Doctrine, permits us to recognize in it a permanent factor making for international peace upon the American Continent. For this reason, while celebrating her first efforts towards independence, Latin-America sends to her Great Sister Nation of the North, an expression of her thanks for that noble and unselfish action which has been of such great benefit to the entire New World." Without any formal and concrete proposition having yet been placed by the Brazilian delegation before the Chilean delegation upon the question of the presentation in common of this project to the assembly, we members of the latter were in accord in considering the resolution, as framed, very categoric in its terms, especially in view of the confusion which I have shown to exist regarding what should in reality be understood by the Monroe Doctrine.

For my part, I presented to Señor Da Gama, simply as grounds for consideration, and not as the opinion of the Chilean delegation, another form of resolution, which in my judgment, obviated those objections, and which contained, along with a statement of the principles of the doctrine, a declaration of the fact that these principles had the support of the entire American Continent. My proposed resolution was couched in the following terms: "Since their independence, the nations of America have proclaimed the right thereby acquired of excluding European intervention in their internal affairs, and, also, the principle that the territory of the New World cannot be made the object of future colonization. These principles clearly formulated and solemnly expressed by President

Monroe in 1823 constitute a factor which has contributed towards guaranteeing the sovereignty of the nations of this continent. Wherefore, Latin-America, celebrating the one hundredth anniversary of her independence, sends now to her Great Sister Nation of the North, the expression of her adhesion to that idea of solidarity, as in the past she joined her in proclaiming those principles and upholding them for the benefit of the entire New World."

Señor Da Gama found in this resolution a departure from that of Nabuco, which his government was desirous at all costs to preserve. Shortly afterwards, we personally agreed upon a new formula, which he was to submit to his government and which, when approved by it, was to be placed before the delegations of Chile and Argentine. This formula was as follows: "The long period which has transpired since the declaration of the Monroe Doctrine permits us to recognize in it a permanent factor making for external peace upon the American continent. It gave concrete and solemn expression to the aims of Latin-America from the commencement of her political independence. For this reason, while celebrating the centennial of her first efforts towards independence, the nations represented in the Fourth Pan-American Conference send to their Great Sister Nation of the North, the expression of their adhesion to that noble and unselfish action, of such beneficial consequence for the New World."

Having consulted the Brazilian Government, his Excellency Señor Da Gama believed the time ripe to ask for the approval of this resolution by the delegations of Argentine and Chile. The members of the former, with two exceptions, expressed themselves in favor of it as drawn up. The Chilean delegation, for its part, attentively studied the proposed resolutions, and while entirely agreeing with the propositions of the Brazilian delegates, they yet believed that another formula must be sought which, while it brought the proposition within the program of the conference, did not lend itself to false interpretations by Europe, the United States, and the rest of America.

The proposition formulated by the Chilean delegation was the following: "Upon celebrating the centennial of their first efforts towards political independence, the nations represented in the Fourth Pan-American Conference send to their Great Sister Nation of

the North the expression of their thanks and record their conviction that the declarations contained in the message of President Monroe met the aims of all America and contributed effectively to guarantee its independence."

The members of other delegations, in their turn, learned confidentially of the proposition which the Brazilian delegation were supporting and though in favor of the idea and motive which were guiding the Brazilian Government, they believed that it was necessary to make some additions in which it would be made clear that the Monroe Doctrine must not be understood as an impairment of the sovereignty of the Latin-American States. The point had been reached of formulating the additions which were to be made to the proposed resolution, inspired by a speech made by the Secretary of State, Mr. Root, at the third convention. And there were not wanting those who, in spite of these additions, thought that the motion was outside the program of the Conference, and that, while approving it, they might sanction along with it many acts of hegemony committed by the United States by which more than one country had felt its sovereign dignity to have been wounded.

This now considerably complicated the situation. The delegation of the United States, consulted in regard to it, made it clear that it would be very acceptable for Latin-America to make the Monroe Doctrine hers; but that if in doing this she was going to create dissensions in the midst of the assembly, it was preferable to make no presentation at all. The Brazilian delegation thus realized that an unanimous assent to its views was not easy to obtain; for though every one agreed as to the basic reasons of the resolution, it was very difficult to reduce it to a brief form, and satisfactory to everybody. In view of this, the delegation did not insist upon pushing its project.

Therefore, in regard to the Monroe Doctrine at the Pan-American Conference of Buenos Aires, it may be said to have been clearly established:

1. That all the countries of America there represented were agreed that the Monroe Doctrine, as it was formulated in 1823, is in accord with the aims of the New World and forms a part of its public law;
2. That the delegation from Chile at all times manifested the greatest willingness to propose to the conference a resolution, con-

cise and satisfactory, yet in conformity with the program of the conference.

3. That it was very difficult, nevertheless, to find a wording, which without exciting the susceptibility of Europe, would be satisfactory to all the countries of America, because there were various states which desired to see incorporated with the principles of that doctrine, other principles which might have reference to the policy of hegemony of the United States.

4. That the fact that this formula was not hit upon in no way signified that Brazil had received a diplomatic rebuff; and

5. That the Monroe Doctrine in its primitive form, was not disavowed in the Fourth American International Conference. It was not there a question of proclaiming the Monroe Doctrine, but only of recognizing a historical fact which during the past century has dominated the political life of the nations of the New World, and is to-day the basis of what may be termed American International Law.

## BANKING IN MEXICO

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BY THE HON. ENRIQUE MARTINEZ-SOBRAL,  
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Finance.

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The development of banking in Mexico is one of the most important features of the Mexican economic improvement during the last thirty years.

Banking did not make its appearance here as a state institution but as the result of investments of foreign capital, attracted by the discovery of a great field for business, as soon as the country was able to establish peace firmly, after the tremendous struggles which followed the war for independence and lasted until the final triumph of the republican system.

In the ten years following the war with France, from 1870 to 1880, public credit was of no importance, and the financial relations between Mexico and Europe were practically nil; but during those years the construction of our big railroad systems was pushed very energetically, peace was assured, and the resources of the country became apparent to the eye of foreign money owners, always looking for sound and productive investments.

Several French and Mexican business men united to establish a bank of issue in Mexico City; and, supported by the government, which granted to them a liberal charter, founded the Mexican National Bank. A few months later, Mexican and Spanish capitalists established the Mercantile Bank. The competition between these two institutions culminated in their merger, and the present National Bank of Mexico was thus created. Though not a state bank, this financial institution was authorized by the government, connected with it in many respects, subject to its supervision, and endowed with something very much resembling a monopoly of the right of issuing banknotes.

Nevertheless, the monopoly was not clearly defined in the charter; it was, besides, in opposition to the constitution of the country; no law existed restraining the freedom of issue, and very soon other banks appeared on the scene, such as the London and Mexico Bank,

which purchased an old and nearly forgotten charter granted to a bank which had never done anything serious in the way of business; the Nuevo Leon Bank, the Durango Bank and others, to which the Federal Government had granted charters, somewhat ignoring the not very clear nor legal monopoly granted to the National Bank.

A mortgage bank, also established by virtue of a charter from the government, began operations under the name of The International and Mortgage Bank.

There was no definite system for granting these charters; it was not even stated in a clear manner whether the government had a right to grant them, nor were the different charters founded upon the same principles of banking; in short, the whole matter was soon in a state of great confusion.

The National Bank had gradually developed its business, and through its different branches established in the principal towns of the country had contributed to the awakening of economic activities; the ground had been thus prepared for the business of banking and it was urgent to face the difficulties arising from the operations of other banks of issue, with a view to their settlement.

In 1897, the moment arrived to put order in the banking trade and a law was enacted by the government, with the necessary authority from Congress, and accepted by the National Bank, thereby forsaking its doubtful privileges.

The other existing banks also submitted to the law (in different ways) and the whole system was thus founded, as far as possible, upon a homogeneous basis.

The following statement of the principles which govern the law of 1897 will lead to its right understanding:

(1) Plurality in the monopoly, that is to say: the authority for doing a certain set of well defined banking operations, granted not to one bank only, but to many chartered banks, to the exclusion of any other institution.

(2) The banks must be operated under the form of limited companies duly organized in Mexico and subject to Mexican law. No foreign companies are authorized to do banking business pertaining to chartered banks.

(3) Legislative regulations for the management of the banks: sound economic principles are thereby enforced, not only morally and scientifically, but legally as well.

(4) Supervision by the state, the principal characteristics of which are the obligation of rendering certain statements intended for publication, and the submission to the intervention of the Secretary of the Treasury, acting as Comptroller of the Currency, by means of special delegates.

(5) The above regulations refer only to chartered banks, which are:

(a) Banks of issue, especially authorized to issue bank notes. No other banks, nor institutions, companies or individuals can make issues of this kind.

(b) Mortgage banks, the special feature of which is the issuing of mortgage bonds.

(c) Promotion banks, authorized to issue cash bonds.

Deposit banks, savings banks, trust companies and other banking institutions can be freely established without requiring any charter or previous authorization, be they Mexican or foreign. Following are the limitations concerning the institutions just referred to:

(1) They cannot issue banknotes nor establish in the country any branch or office for the redemption of notes issued abroad.

(2) They cannot use the word "bank" in designating themselves, except in the case of foreign banks, provided they are previously authorized by the Treasury Department.

(3) They are not subject to any special supervision from the government.

(4) They do not enjoy the reductions in taxation granted to the chartered banks.

Later on, a law was enacted, regulating the bonded warehouses, which are practically assimilated to credit institutions.

Under the law of 1897 about thirty-four banking institutions have been established, to wit: twenty-five banks of issue, three mortgage banks and six promotion banks.

We will now proceed to survey the field of operations of said banks as regards the most salient features.

Issue banks are authorized to issue bank notes, to accept deposits at sight and on term, and to make the investment of their capital and other funds in public securities and short-time loans.

As for notes, the issue may never exceed three times the face

value of the bank's stock, nor be superior to twice the amount of cash, less the total amount of the deposits payable at call.

Let us see how the Mexican issue banks have obeyed the legal ruling and, thereby, ascertain what is the guarantee in specie for their outstanding notes.

According to the official statements concerning issue banks, their cash holdings amounted in June 30, 1910, to 89,059,802.45 *pesos* (a peso being practically equal to fifty cents, American gold). This sum was represented by the following various species of currency:

Gold, coined .....	Pesos 53,690,870.00
Silver pesos .....	27,625,377.00
Fractional currency .....	5,705,834.83
Gold, bullion .....	2,037,720.62
<hr/>	
Total amount of cash holdings.....	89,059,802.45

As has been seen, in the above total the amount of gold coined and in bullion represents about five-eights, and silver about three-eights. These figures are very interesting as, besides showing beyond a doubt the soundness of the guarantee which stands behind the banknotes, they afford the assurance that the latter can be redeemed in gold, and this assurance is one of the strongest foundations for the stability of exchange.

Banks are permitted to put in circulation notes for twice the value of their cash holdings. Using the above figures we would have:

Twice the amount of cash holdings.....	Pesos 178,119,604.90
Less the amount of deposits on demand .....	67,826,271.91
Authorized circulation .....	110,293,332.99

Now, the notes outstanding on said date (June 30th) amounted to pesos 112,160,663.00, this sum being about two millions greater than the authorized circulation. The reason of this difference is that the National Bank and the Nuevo Leon Bank, as we have said before, are not exactly subject to the prescriptions of the law and can issue notes for three times their cash holdings. Besides, the National and the London Bank are not obliged by their charters to hold a special reserve against their call deposits, and they only have

the reserve suggested by their own prudence, which is not always exactly fifty per cent of the deposits. Nevertheless, the metallic guarantee of our banks of issue is a very strong one.

For a full understanding of our system we must remark:

(1) Our system is that of "banking on assets," founded upon the "banking principle," being thus a very elastic one.

(2) This elasticity is increased by the fact that our notes are guaranteed by reserve funds in cash. It will be easy to see that we have not confused banking credit with public credit, and should a crisis occur in either, it does not follow that the other would of necessity experience a contraction.

(3) Metallic reserves are required, not only for the protection of the banknotes, but for that of the call deposits as well, as the danger for the public is the same, and perhaps greater in the case of the latter than in that of the former.

Under these wise principles business has grown, as can be seen from the following comparative statement of circulation:

Year	Banknotes outstanding.	Cash holdings.
1897	38,497,367.00	43,350,648.75
1898	46,471,650.75	34,819,723.93
1899	56,247,355.25	39,808,883.43
1900	62,657,714.50	53,107,694.67
1901	62,392,413.25	49,992,373.75
1902	72,890,235.50	53,147,288.30
1903	88,264,218.50	51,260,539.13
1904	83,540,440.00	56,245,838.69
1905	82,995,576.50	79,087,706.10
1906	93,597,868.50	63,695,882.24
1907	98,184,395.25	63,989,663.85
1908	89,659,571.00	64,910,541.18
1909	92,221,477.00	84,352,541.92
1910	112,160,663.00	89,059,802.45

The law does not consider the redemption of notes and the payment of deposits sufficiently assured by the possession only of cash reserves, and prescribes that the funds of the banks shall be invested in such a manner as to enable them to turn their investments into ready money at any time it becomes necessary. As we cannot go very deeply into this matter, we shall confine our examination to the principal regulations enacted with a view to reducing to a minimum the danger of defalcation.

It is forbidden to our banks of issue:

(1) To lend money upon a mortgage, except when the credit of the signers of obligations held by the bank is impaired, or when the Treasury Department gives its express consent.

(2) To make loans or to discount or negotiate notes or other paper running for more than six months.

(3) To discount notes or other commercial paper not guaranteed by at least two signatures of acknowledged solvency or by collateral security.

(4) To accept uncovered bills of exchange or drafts and to open credit accounts that cannot be closed at the bank's pleasure.

(5) To allow any single person or corporation to become indebted to them, either directly, indirectly or jointly, for amounts which, in the aggregate, exceed ten per cent of the paid-up capital of the bank.

(6) To acquire real estate, except such as is necessary for the carrying on of the business of the bank, etc.

These regulations have the very important effect of allowing banks to be provided with specie when needed to meet their obligations to the public. In case of a run on the bank or of a contraction of business, the nature of the assets will allow them to rediscount their bills, securities, etc., and thus to face the difficulty. We must say that in the history of Mexican banks of issue, and under the law of 1897, there has never been a run on any bank, and up to this writing, the circulation of banknotes has always been facilitated, in spite of their not being legal tender, by the high confidence bestowed upon them by the public; their redemption has invariably been effected without the least delay or difficulty, even in cases in which the public might have been distrustful. Our monetary system, which practically excludes the exportation of coined gold in the case of an adverse commercial balance, is not without influence in these facts.

As far as the true constitution of the assets can be known, it may be stated that the total of the reserve funds in cash, and of the assets readily realizable, exceeds the liabilities involving a public interest. The following figures will prove the last assertion:

#### ASSETS.

Cash .....	Pesos 89,059,802.45
(614)	

## Loans, securities and bills readily realizable:

First class securities .....	55,832,029.59
Discounted bills .....	13,865,913.07
Loans .....	71,191,026.89
Loans on collateral securities, bonds, etc. ....	41,245,500.02
Loans in current account .....	90,385,914.89
	<hr/>
	361,580,186.91

## LIABILITIES.

(Only those involving a public interest.)

Deposits on call .....	Pesos 67,826,271.91
Deposits at term .....	58,026,027.36
Banknotes outstanding .....	112,160,663.00
Sundry creditors .....	45,971,688.52
	<hr/>
	283,984,650.79

The comparison between these two totals is evidence of the sound condition of the Mexican banks of issue.

The stock of these banks amounts to pesos 118,800,000.00 and their reserve funds, comprising those created by law and those created by the foresight of the banks amount to pesos 52,567,536.08.

Mortgage banks have not developed in the same manner as issue banks. We have but two institutions of this kind, and a third one will be established very soon. The first two do their business in the city of Mexico, and through branches, in all the country; the third will carry on banking in the State of Sonora.

The principal business of mortgage banks is the issue of bonds running for a long time, redeemable out of a special sinking fund twice a year, under the system of annuities and bearing interest payable semi-annually. The proceeds of the sale of these bonds must be devoted to the making of mortgage loans.

Special regulations are contained in the law, for the purpose of giving all security to the redemption of the bonds. Thus, the total amount of the bonds may never exceed the total of mortgage loans; the latter to be made under strictly fixed conditions in order to afford at any time a sound guarantee to the bondholders.

Banks of this kind do not enjoy any practical monopoly, neither in the nature of their investments (everybody being entitled to lend

money on mortgage) nor in the issuing of bonds, as all the limited companies, and specially the railroad companies, are authorized to issue mortgage bonds.

Such securities, as far as our banks are concerned, have proved to be an excellent investment for foreign capitalists, as the greatest part of the issues are owned by them.

The issue of bonds amounted on June 30, 1910, to pesos 44,904,600.00 and have increased since then. The mortgage loans totaled pesos 46,872,918.47.

The prospect of these banks is a very bright one, as they can issue bonds for twenty times their paid up capital: as this amounts to pesos 10,000,000.00, they can carry their business to pesos 200,000,000.00 even without any increase of their stock.

We give the name of promotion banks to certain institutions specially intended by the law to impart their help to agriculture, mining and manufacturing, by means of loans guaranteed according to a peculiar system which partakes of the mortgage and the pledge.

Promotion banks are authorized to issue cash bonds running from six months to three years; these bonds were created to afford opportunities for the investment of savings not yet intended for a definitive destination.

Unfortunately this kind of bank has not made great progress, perhaps owing to the influence of traditional causes closely linked to the solution of the very difficult question of agrarian credit.

The issue of bonds has only been made by one of these banks and in such a small amount that it is not worth while to mention it. The loans to cultivators or miners are practically of small importance. Two of these banks are in an unsatisfactory condition, doing but little business with correspondingly small profits. The other four, though in a thriving condition, are not properly promotion banks, as they do not carry on to a full extent the special business of this kind of institution; they are, rather, banking houses, doing a deposit, loan and exchange business, and financing other enterprises.

The most important promotion bank is the Mexican Central Bank, the individuality of which in our banking world will be set forth in the next and final chapter of this paper.

To bring this matter to an end we will state that the aggregate

of the promotion banks' stock amounts to pesos 47,800,000.00, their cash bonds to pesos 4,893,200.00; their loans for agricultural purposes to pesos 2,174,794.29, and their deposits to pesos 26,379,872.39.

The National Bank of Mexico—a bank of issue—and the Mexican Central Bank—a promotion bank—have a place of their own in our banking system.

The former is, for its capital, the importance of its notes outstanding and the bulk of its business, our principal banking institution. It has branches and agencies in all the capitals of the different states of the republic and covers the whole territory with its operations. Historically, it is the pioneer bank in Mexico and has educated all the country to the use of credit. Its relations with the government are of a very intimate character. It is entrusted with the payment of the different debts of the nation; it acts as a depository of the public funds; it concentrates the proceeds from the custom houses and other fiscal offices. Besides, it is a great rediscount bank which takes over the paper of the other banks when they are in need of money to meet their obligations.

The Mexican Central Bank is the most important of the promotion banks; but occupies a special position like a hyphen between all the issue banks established outside of the city of Mexico. It concentrates the notes of these banks and performs the services of a clearing house for them by exchanging their notes in the federal capital; it is verily a central bank as it acts as a regulator of all the issue banks of the different states of the republic. It has, besides, obligated itself to support in different ways the before mentioned banks in case of difficulty. In short, the Mexican Central Bank is, in many of its features, a result of the co-operation between the issue banks.

Such is the Mexican banking system, which may be concisely defined by saying that it is a plural system of privileged institutions under government inspection, whose business is regulated by the operation of two greater banks.

## THE WAY TO ATTAIN AND MAINTAIN MONETARY REFORM IN LATIN-AMERICA

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For many years the names of certain countries of Latin-America were synonymous in the public mind with paper inflation and dubious finances. This stigma the more progressive countries have in recent years been rapidly casting off. They have in some cases, where they had been saddled with debt without receiving an adequate return, made equitable readjustments, as in the cases of Santo Domingo, Honduras, and Costa Rica. They have in other cases raised their credit to the point where their securities sell nearly on a parity with those of leading European countries, as in the cases of Brazil and the Argentine Republic.

The reform of the fiscal affairs of a government which has been in difficulties is perhaps a wise preliminary to reform in the monetary system; but in a sense the monetary reform transcends in importance the fiscal reform. Fiscal reform means the restoration of a favorable balance to the budget and the prompt payment of interest on public obligations. Monetary reform reaches deeper into the heart of commercial affairs, because it alone makes possible the free interchange of products and the investment of foreign capital upon a basis which ensures its permanency in gold value.

Capital shrinks from a country without a monetary standard based upon gold, because both the principal and the dividends to be remitted to gold countries may shrink radically in gold value with the depreciation of the local currency. On the other hand, a country whose currency system is based upon the gold standard is able not only to attract capital for permanent investment, but also its share of the great circulating loan fund which is available for equalizing rates for money and meeting unexpected demands by its free movement between the financial centers. It was pointed out in the report of the Commission on International Exchange, when Mexico was still on the silver basis, that Mexican bankers had sufficient credit to borrow money in Paris, Berlin or Brussels in large amounts

and make seven, eight, or ten per cent on the investment, but did not dare to do so, because if it was loaned on short-time and they were called on to repay it, the fluctuations in the gold value of the silver currency might more than wipe out all their profit.<sup>1</sup>

The importance of offering inducements for the inflow of foreign capital has evidently been obtaining recognition in recent years in Latin-America and is bringing about measures to restore the currency to a gold basis in those countries which have been increasing their production of goods for export and thereby strengthening their credit position abroad. Steps towards monetary reform have been taken within the past fifteen years by the Argentine Republic, Brazil, Peru, Ecuador, Bolivia, and other countries.

It will not be disputed that, in the effort to return to a sound monetary system in any of these countries, it is of the highest importance that the method chosen should be, if possible, the most economical, the most certain to maintain permanently the gold standard, and the most likely to afford a supply of currency adequate for local needs. The question naturally presents itself whether the methods which are being pursued or considered are the best for the accomplishment of these purposes. If they are not, why not? And, also, if there are better methods, what are those methods?

The science of maintaining an adequate stock of currency upon principles at once economical and safe has been until recently in its infancy. It was enough for early economists of the school of Ricardo, that a currency consisting of gold coin ensured the full intrinsic value of the national circulation, and afforded the means of maintaining stable exchange. Much has been learned in currency matters within the last few decades, especially in regard to the regulation of foreign exchange. Most of the monetary systems created since 1890 have depended in some degree, as in the case of British India, the Philippines, Mexico, Russia, and Austria-Hungary, upon the control of the market for exchange. In this field experience has developed what is substantially a new monetary system, known as the gold exchange standard.

What is this gold exchange standard, which was adopted by the Congress of the United States for the Philippine Islands and was made the foundation of Finance Minister Limantour's reform of the monetary system in Mexico? It may be briefly defined thus:

<sup>1</sup>See the author's "Principles of Money and Banking," Vol. I, p. 353.

The maintenance of silver coins at parity with gold, without reference to their bullion value, by restriction of the quantity to the requirements of local trade and by the sale of bills of exchange on exchange funds deposited abroad, at legal gold parity, plus such legitimate charges for exchange as prevail between gold countries.

Wherein does this system differ from the simple gold standard? And wherein is it more suitable for the undeveloped countries?

The difference between the exchange standard and the simple gold standard is the extension of the banking principle to the foreign exchanges. Under the exchange system the gold which is needed for settling foreign balances is kept in foreign financial centers instead of at home and a "gold export" or "gold import" movement is accomplished by the transfer of drafts instead of boxing up and shipping physical gold. From this system flow important economic advantages, beyond the mere economy in freight and express charges, which can perhaps be better brought out by a study of recent monetary history than by stating them in abstract form.

Among the South American countries which have taken steps towards the restoration of stability to their monetary systems within the past dozen years, have been Brazil and the Argentine Republic. These countries have been especially fortunate in the volume and value of the exports of their principal products,—coffee, sugar, wheat and hides. This has enabled them to draw gold in large amounts from Europe and North America. Under the monetary system which has prevailed for several years in these two countries, the gold has been accepted by the conversion funds in exchange for paper at a fixed rate of exchange. Up to a very recent date, gold has not been freely paid by the conversion offices for the redemption of paper. The value of the paper has been maintained by the fact that the accretions to existing issues have been covered fully by gold, and the need for this additional currency has been indicated by the willingness to buy it with gold.

From this standpoint, of the demand for currency, it might be said that even the paper which was not covered by gold, issued prior to the creation of the conversion funds, also represented just the amount of currency which the country was then able to employ in its exchanges, when taken at the gold value to which it had been reduced in use. In the case of over-issues of irredeemable paper, there is usually a tendency, others things being equal, for the gold

value of the paper to fall in the ratio of its excess above the amount of gold currency required for doing business.<sup>2</sup>

Among the factors which cause a variation from this ratio are the degree of credit in which the paper is held from time to time, the fluctuations caused by the demands for foreign exchange, and the possibility of ultimate redemption at any given rate. In the case of the Argentine Republic, the value of 44 gold centavos for 100 paper centavos, which was adopted as the gold value of new paper to be issued by the conversion office, was about the value of the paper at the time when the fund was established, and may, according to the above rule, be considered as representing, at its gold value, the amount of currency then demanded by the business of the country.

Now that gold is to be paid in these countries for paper, apparently without premium or other restraint upon its issue, it becomes an interesting problem whether difficulties will arise in keeping gold in the country. The merit of the system of a pure gold currency is that it leaves unhampered to the conflict of individual initiative throughout the world the movement of gold and credit. The tendency of such a system is to send gold to those communities which, by reason of their wealth, have the largest surplus available for investment in a metallic currency and have the most frequent use for gold. Unfortunately for the countries of less financial power, the tendency of this free play of economic forces is to draw gold away from them to those countries which are economically stronger. This fact has been demonstrated repeatedly in monetary experience and has extended to the further application, that any currency, whether of coin or paper, issued by a governing country, when put in circulation in a dependency, tends to return to the mother country and denude the dependency of an adequate supply of monetary signs.

The operation of this principle, of the drainage of gold, has been witnessed not only in the case of countries essentially poor, but even in those of large resources where a country of stronger resources has possessed the same monetary system. This has been the history of the Latin Monetary Union, where the coins of each country have

<sup>2</sup>Thus in Brazil, the 297,800,000 milreis in paper in circulation in 1890 was worth more in gold than the 788,364,000 milreis which had been forced into circulation in 1898. *Vide* the present writer's "History of Modern Banks of Issue," Fourth Edition, p. 501.

common currency in the others. This has facilitated such a steady drainage, first of gold and ultimately of silver, from Belgium and Switzerland into France, that it has been repeatedly urged by responsible economists that Belgium and Switzerland should withdraw from the Latin Union and establish each for herself a currency which should be to some degree under her own control and not subject to free exportation by individuals for an insignificant profit and independent of the legitimate demands for exchange. In the case of Brazil and the Argentine Republic, one of the factors which has drained Belgium and Switzerland of their gold will be lacking,—uniformity of the currency with that which circulates in other countries. The Argentine Republic acted wisely, from this point of view, in rejecting the proposal to adopt a unit of the same value as the franc, which might have led to the draining away of her gold coins to France and other countries of the Latin Union.

The reason for the disappearance of gold from countries which are not the centers of exchanges is found in the principle of economic selection, otherwise described as the law of marginal utility. To the individual desiring foreign products, gold in his hands is the most convenient means of obtaining them. He parts with gold because his need for it is less intensive than for the goods, but in so doing he deprives the community of metallic currency. So long as the control of the supply of metallic currency, therefore, is left in such communities to the play of individual initiative, gold tends to disappear.

It is at this point that the advantages of the exchange standard reveal themselves. The government has the same interest and economic sanction for taking measures to maintain a local currency, adequate to the needs of the country, which it has for doing other things, like the provision of water supply and sewerage, which are not sufficiently the interest of a single individual to insure their being done by him, but which are of essential value to the community as a whole. Upon the individual trader there is no responsibility, except his own convenience, to contribute a share of his capital sufficient to afford an adequate circulating medium for the country; but the government, viewing broadly the need for such a medium for the promotion of mercantile exchanges and the development of the natural resources of the country, may justly decide to devote a certain portion of the national capital to the maintenance of a sound and suitable currency.

In the ideal financial world, gold should be permitted to move freely from one country to the other with the smallest possible obstacles except those set up by changes in the rate of discount. It has come to be recognized, however, in recent years, as the result of the experience of British India, Chile and other countries, that the obstacles of a variation in monetary units and in legal tender laws, and restraints upon the free delivery of gold for export may contribute their share in checking the adverse current of the foreign exchanges, without violating sound economic principles. The protection afforded by the exchange standard to the monetary system is indeed only a variation and extension of those methods of foresight, management of the discount rate, and accumulation of foreign bills which are now recognized everywhere as the legitimate weapons of the central bank of issue, charged by law or financial public opinion with the function of safeguarding the national credit.

The principles of the gold exchange standard have been in operation in British India since about 1899; in Peru since 1901; in the Philippine Islands since 1903; in Panama since 1904; and in Mexico since 1905. Such dangers as were feared at first in its operation have been met and overcome or have been proved to be mythical. The supreme test of the system took place in British India as the result of the crop failures of the spring of 1908, which deprived the country to a large degree of the means of meeting its foreign obligations by the sale of bills against the exportation of its products. The result of this test was that the reserve fund of about \$90,000,000 held in London for the protection of \$600,000,000 in Indian currency was reduced about one-half by the sale of drafts in India upon this fund. The silver coins paid for these drafts were locked up in the Indian Treasury until the time came for the revival of Indian agriculture and trade and the demand for an increase in the circulation. This demand was met by renewed sales in London of drafts on the Indian Treasury, which drafts were paid off in India in the local currency, which was thus restored to active local use.

The principle of the gold exchange standard is the same which has governed banking operations during the past century,—the existence of an adequate reserve in gold or gold credits to maintain a credit circulation. One of the important questions which was put to the test in this experiment in British India was how far an adverse balance of foreign trade or other unfavorable circumstances

may reasonably be expected to go in their demands upon the exchange fund. The mathematical answer in this case was the ratio of \$50,000,000 to \$600,000,000, or about eight per cent. Obviously a country will not part with all its currency in order to meet obligations abroad, even if there are no obstacles in exchange rates to check the free flow of coin; and much less is it likely to do so if such obstacles exist. The suggestion that demands upon the exchange funds could reach such a limit, or the half of it, is parallel with that of the novice, without knowledge of banking history, who enquires what would happen to a bank if all its depositors should demand currency for their deposits on the same day. Experience rather than abstract possibilities has determined the attitude of the financial world towards these questions. In the case of a token currency of silver, however, diffused over an entire community, the position is much stronger than in the case of a single bank, with a circulation largely local and subject to the possibilities of sudden distrust. It is not merely that the national currency commands greater confidence, but that it constitutes the sole medium of exchange. Even if depreciated, experience has shown that a currency will continue to be employed for the necessary transactions of daily life, while in the case of a single bank it might be conceivable that all its circulating notes could be withdrawn from circulation without impairing to any noticeable degree the means of exchange in other forms of currency at the command of the community.

Thus there has been evolved the principle that the demands upon an exchange fund arising from the transfer of capital, adverse exchanges, or even distrust, are limited to a small proportion of the total volume of the currency of the country. The experience of British India in 1908, when the contraction which was expressed in the demand for exchange on London amounted to about eight per cent of the estimated total circulation of the country, may not be the ultimate limit of possible demands upon a reserve fund in case of financial calamity,—indeed there is no means of fixing an arbitrary limit. That test was a very severe one, however, and took place in a country where the token coinage had been accumulating for generations to an amount which could not even be accurately ascertained. In any such test in a country which deliberately adopts the exchange standard hereafter, a reserve will be created in advance adequate to meet probable demands as determined by statistics ap-

proximately accurate of the amount of coins issued, the amount exported or consumed in the arts, and the amount actually in banks or in circulation at any given moment. The statistical problem will be comparatively simple, except in the case of ignorant hoarding of the coins, because the difference between their face value and their bullion value will prevent any considerable consumption in the arts or exportation as bullion. If hoarding occurs in spite of the credit element in the value of the coins, it will only reduce by its gross amount the net circulation to be protected by the gold exchange fund.

No burden of permanent indebtedness or of annual interest payments is required for launching and maintaining the gold exchange standard. If conducted purely as a government operation, as was the case in the Philippine Islands, a temporary advance of funds is necessary for purchasing and carrying the silver bullion until it is converted into coin and put in circulation. When once in circulation, however, the amount expended for bullion would be reimbursed by the new coins and a profit of from 30 to 40 per cent of the face value of the coins would remain to be covered into the gold reserve. In other words, the coin would pay for itself in much the same manner as the minting of gold under free coinage. The difference would be that in the case of the silver coins issued under the exchange standard, their deficiency in intrinsic value would be made up by the seigniorage profit, which would be set aside as a gold reserve.

If the transaction were entrusted to bankers willing to make the preliminary advances for the purchase of bullion and to assume all the expenses of coinage and expert services necessary to put the system in operation, the bankers could be compensated by an equitable division of profits between the government and themselves, without reducing the gold reserve below the point of safety. Indeed, in the case of a comparatively small country, if the bankers themselves were the custodians of the reserve, they would undoubtedly be able and willing to take any necessary steps to maintain parity in case of unusual drafts upon the reserve fund, so long as the government concerned was performing its part in good faith and was maintaining civil order.

*Inter armis silent leges.* The gold exchange standard, in case of an upheaval which wrecked the finances of a country, would not

operate very differently from any other form of currency. If the currency of a country under such conditions were gold coin, it would be exported or hoarded. If it were paper, it would drop to unknown depths. If parity could not be maintained under the exchange standard, the coins would tend to fall to their bullion value in silver.<sup>8</sup> Undesirable as such a consummation would be, it would be much better than the unfathomable depth to which a paper currency would fall.

It is not necessary here to enter in detail into the processes by which a new coinage based upon the exchange standard would be put in circulation. If the government were redeeming depreciated paper at a fixed rate, the new coins would be exchanged for the paper at their gold value. If the existing currency of the country consisted of foreign coin or paper, for which the government was not responsible, such currency when received for public dues would be disposed of to the best advantage through the banks and the foreign exchanges and the new currency would be disbursed for the obligations of the state. In either of these cases, if considerable amounts of the old currency were in the keeping of the banks, they would be permitted to exchange the old for the new on equitable terms or would be left free to export the foreign currency and to substitute in their reserves the new currency obtained through the sale of foreign bills against such exportations.

The process of transition is always one of the most delicate phases of the introduction of a new currency. It is because of the intricacies of the problem that the co-operation of the banks would be preferable in most cases to direct action by the government. All these problems, however, would be solved with equity and with comparatively little disturbance to business if the matter were entrusted to a strong bank which sought the services of competent experts. Within a very short period the transition was accomplished in the Philippines and in Mexico, without serious disturbance to business or to existing standards of wages and prices, and in both countries the system has been operated with such success, that a

<sup>8</sup>That they would not inevitably fall to this point is demonstrated by the present status of the Spanish silver coinage, which has an exchange value above 90, while the bullion value of the coins is below 50. Two factors contribute to this result,—the limited quantity of the coins and the possibility of the resumption of gold payments,—apart from intrinsic bullion value, which fixes for any given moment the minimum below which the exchange value of the coins cannot fall.

large surplus has been earned for the gold reserve fund from the sale of drafts and from interest on the deposit of the fund in foreign financial centers.

In both countries, while an ample local currency remains always in circulation, it responds in substantially the same automatic manner as a currency of gold and bank-notes to the changes in the demand for circulating capital and the movement of the foreign exchanges. This it does through the sale of drafts upon gold funds abroad and the temporary retirement of the currency thus employed, until it shall be called into use again by a counter-movement of the exchanges. In both countries the soundness and exchangeability of the currency is never called in question, and at the height of panic in New York in 1907 international bankers availed themselves of the financial tranquillity existing at Manila, to transfer funds to the beleaguered metropolis through the automatic working of the exchange fund, in order to mitigate the currency famine which had caused suspension of currency payments under the defective monetary system of North America.

## CURRENT MISCONCEPTIONS OF TRADE WITH LATIN-AMERICA

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Generalities on commercial subjects are deceptive. Much of the popular misunderstanding of our Latin neighbors grows out of the inclusive title which for convenience we are accustomed to apply to the twenty republics which occupy the rest of our continent.

The name is applied to a territory so vast and a range of conditions and populations so varied that its extremes have absolutely nothing in common. And one of the most general of our American delusions on the subject grows out of the very natural inference that Latin-America stands for certain definite, concrete and invariable elements.

This, and a host of other forms of ignorance are so easily corrected by reference to readily accessible facts that scant attention should be devoted to them in such a paper as this. That Latin-America includes countries of all sorts and conditions, climates ranging from the very hottest tropics to the frigid antarctic zone,—with a corresponding variety of products,—populations of totally distinct origin, speech, habits, needs and ambitions, is visible in every school geography, and it should be no part of such a disquisition as this to mention such facts. And although errors arising from ignorance of these truths are still the commonest and most damaging of all the host of misconceptions which militate against our commercial progress in Latin-America, there can be no question as to the rapidity with which they are disappearing with the advent of a vital and general need for the patronage of our southern neighbors.

This common error should, however, be corrected first of all. Hayti and Chile have absolutely not a single point in common save religion, and scarcely can be said to share even that. Brazil and Bolivia, though neighboring countries, differ radically in race, cli-

mate, products, speech, and all other important features, and Argentina, while differing almost as vitally from Bolivia is quite as different from Chile and Brazil, its other neighbors. Obviously, the very general tendency to make no distinction whatever between these widely different constituent elements, exercises a decidedly unfavorable effect upon the careless attempt to win their patronage. And there is no easy, general means of setting the matter plain, for the reason that in different lines of business the division of the territory and the alteration of the methods by which it is to be approached successfully, will vary as widely as the lines of business or as the countries themselves. For example, Argentina and Chile are very similar so far as their requirements in clothing are concerned, since the tastes and means of their populations and the demands of their climates are nearly identical. Yet as fields for the sale of mining machinery, they are very far apart, Chile offering an excellent and highly developed market, and Argentina holding forth almost no prospect at all.

Such errors as this, however, are matters of ignorance, errors of general information, of premise. Their correction requires only the rudimentary investigation which can be made by any business man without other facilities than an atlas. This paper cannot concern itself with the manifold details by which a clear, accurate knowledge of the varied conditions obtaining in this territory can be gained. It must be limited to the more involved misconceptions which grow out of faulty logic rather than insufficient knowledge, whose correction is a matter for careful thought, rather than superficial investigation.

Commonest of all such delusions affecting our commerce with Latin-America is the very deeply rooted and nearly universal belief that Europe is a preferable field for export effort. This error has a solid foundation in truth. Until one year ago Europe was unquestionably our best foreign customer. But until one year ago the major portion of our exports had consisted of raw products, grains, meats, textiles, crude metals, rough timber, etc., which naturally found their logical market in the crowded manufacturing countries of Europe, where such products have been items of imports for from fifty years to a century or more. Very reasonably we considered Europe as our best export market. So long as we were primarily a nation of farmers, no other territory could offer as a fraction of

the inducements held forth by the hungry, overcrowded manufacturing cities of England and the continent.

But in the year 1910, for the first time, our exports of manufactured goods exceeded our foreign sales of raw products. The former showed a consistent and heavy increase for a number of years back. The latter displayed a slight but consistent decline during the same period. We are no longer a farming nation, save for our own needs. Our surplus, for export, will hereafter tend steadily toward the more involved types of manufactured goods which leave us the maximum number of profits and bring us the maximum price abroad.

But with a surplus of manufactures to sell abroad, it by no means follows that those who have been readiest to purchase our wheat and beef will be the first to make us offers on our machinery and cloth. On the contrary, we find ourselves in direct competition with these former customers of ours, and under the necessity of finding a neutral market, where our merchandise shall have at least a fair field, without favor, which we can never expect to attain in these competing lands themselves.

Despite this obvious truth, and notwithstanding its self-evident nature, comparatively few American business men have as yet realized it. It is quite commonly advanced, in serious commercial papers, that because England buys our wheat, it must be a logical market for our harvesting machines, whereas the precise contrary is obviously true, the need for imported wheat being excellent *prima facie* evidence of the scant requirement for harvesters.

This, like all generalities, is of course deceptive. It is true only in the main and in the majority of cases, with a vast number of more or less important exceptions. Europe still presents a splendid market for many manufactured lines, and Latin-America still purchases certain raw products. But in the main it may be stated categorically, that our manufactures will find their best acceptance in non-manufacturing, but wealthy, lands, such as Latin-America, and that we shall gradually be forced out of the protected markets of crowded manufacturing territory, such as Europe.

Even the most notably successful lines of American manufacture, which have almost dominated the European market since their origin, prove this assertion rather than contradict it. Among these, typewriting machines present perhaps the most striking example. In

this case, commercial conditions are vastly in favor of American export as opposed to local manufacture for the European markets. The American domestic market was by far the largest individual field for such an innovation. Commercial tradition here had not solidified into the rigid prejudice which still exists in Europe, and the machine met a wide and ready acceptance in America which enabled its inventors to manufacture on the enormous scale which is most favorable to the economic production of such an article. Each individual European market was relatively small, and hampered, as well, by the ancient traditions of commerce which vigorously opposed the innovation. European manufacturers, even with cheaper skilled labor, plenty of power, material and capital, and a tariff protection as well, saw scant incentive toward local competitive manufacture, and the field was left almost entirely to Americans, who spent enormous amounts of time and money in its development.

In spite of the unfavorable conditions, a market was created and enlarged. European branches began to show heavy profits instead of losses. But no sooner had this become manifest than the European manufacturers entered the field, and, in spite of the expensively acquired prestige of the American machines, speedily began to command a considerable share of the local trade and even to compete for export. To-day in neutral as well as protected markets German and French typewriters compete quite notably with the American machines.

Opposed to the inevitable competition which successful export of manufactured goods to Europe must invite, Latin-America presents a field in which the possibility of local manufacture is so remote as to be quite outside of present consideration. Not only are all the essential conditions for successful manufacture lacking in nearly all of the territory, but the incentive is absent as well. Latin-America draws its income from the production and export of a few agricultural products, certain precious metals, a few textiles and a relatively insignificant amount of hard woods. Its principal sources of revenue lie in rubber and chocolate and coffee, aside from the grain and beef of Argentina and Uruguay and the nitrates of Chile. And rubber and chocolate are nearly unique in two respects. First, their price has almost no relation to their cost of production, the demand being far in excess of the supply, and second, their production does not exhaust the soil, but can be continued

indefinitely, with little attention, without fertilizer, and with practically no skilled labor or machinery. Under such conditions, even an increasing population can scarcely bring about the establishment of the less profitable manufacturing industries, for which the larger portions of the territory are, be it remembered, topographically and climatically unfitted, and which require capital, skilled labor and close attention both to production and to sales. In brief, Latin-America, is in the main so suited to the primitive industries and enjoys such an immense return from those industries, that it is almost inconceivable that manufacturing pursuits will ever materially command the energy and resources of the Latin-American peoples.

With a foreign commerce of considerably more than two billions a year, affecting only thirty or forty millions of population, at the most, Latin-America is and must continue to be an exceedingly wealthy, even luxurious, territory, demanding as necessities all the adjuncts of a complex, modern civilization.

To be sure, its present capacity in certain lines is much inferior to that of Europe. But it should always be borne in mind that its capacity must increase, without danger of local competition, while that of Europe will in all probability decrease, and suffer, moreover, from increasingly bitter local competition.

It is peculiarly illustrative of our immature views on export, that precisely those who are most thoroughly imbued with the idea that Europe is our best market, should hold also to the diametrically opposite delusion, equally incorrect, that European competition shuts us out of such neutral markets as Latin-America, and even threatens our home market unless barred out by a steadily rising tariff wall.

Like most of our errors regarding Latin-America, this delusion has a sound foundation in fact. There can be no question as to our inability to compete with European manufacturers in certain lines, *providing price is the sole factor*. And failure to take into account the significance of that proviso, as we have learned it in our home trade, constitutes the error.

It would be regarded as laughable folly should the aristocratic tailor to the wealthy clubman seek protection against the cheap competition of the humble dealer in cast-offs. The maker of the luxurious motor car does not complain of the ruinously cheap competition of the trolley and subway, and the makers of fine

watches find that the wide sale of cheap, machine-made timepieces aids rather than hinders the traffic in their goods. In a word, we have come to realize better than any other commercial people, that price is by no means the deciding factor in many, if not in the actual majority of lines. And this is exceedingly true of export.

English, German, French, Belgian and Italian competition in certain lines would be impossible to meet were our arguments confined to prices. But on a basis of quality, convenience, economy, strength, efficiency, comfort, luxury or taste, competition is not only practicable but comparatively easy. To this there are certain exceptions, as to every general assertion, but it is hard to mention a line in which we do not meet with at least a fair degree of success in any reasonably neutral market.

The predominance of certain European nations in the Latin-American markets is due almost entirely to the fact that they began long ago to solicit that trade and to serve it with some degree of intelligence. A recently published interview with Napoleon, during his brief sojourn in Elba, as related by an English hardware manufacturer who visited the Emperor there, is illuminating, in this direction. It discloses the fact that just a century ago the English manufacturers had succeeded in forcing an entrance into the closed market of the River Plate, then a dependency of Spain. And at that time they were not only distributing their goods free of all charges, but were going to considerable expense to educate the colonials in their use and advantages. Here is the real reason for England's present position in the Argentine market. It is not to be found in any other feature of English export methods, which, as a whole, are by no means so intelligent as we are led to believe by those pessimists who see no future for us in export, and particularly little in export to Latin-America.

European predominance, where it exists, is due very largely to priority, and in a relatively insignificant degree to lower prices, more intelligent methods, or better facilities. And European predominance is by no means so extensive as it might appear, which is another misconception which merits individual attention.

English sales to Brazil, for example, are much larger than ours, despite a certain degree of reciprocity in tariff arrangements which favors us. But on examining the nature of English exports to Brazil, it appears that more than the entire excess over our own

sales is made up of *coal, coke, cinders, jute bags* and *cotton yarns!* None of these is an item in our own exports, and none of them offers any great volume of profit to the seller. Quite frequently an apparently enormous difference between our sales and those of some European nation can be accounted for in the same manner—Spain, with her wines and grapes; France, with her wines, liqueurs and clothing; Italy, with macaroni and olive oil; Germany, with dye-stuffs and toys, all hold a large volume of trade without fear of competition, just as we ourselves hold the field in typewriters, phonographs, sewing machines and harvesters.

The real advantage of European priority in the Latin-American market lies in the more highly developed commercial machinery which this older commerce has called into being, and which has in turn served to enlarge and perpetuate that commerce. Shipping and mail facilities, international banking and mercantile corporations, a closer mutual acquaintance and understanding, all of these things are creations of trade rather than creators of it. And this brings us to another very common illusion on the part of Americans, who frequently refrain from effort toward Latin-American trade because of the lack or inferiority of these adjuncts of commerce. Indeed, there are a number of very influential organizations engaged in endeavors to create this commercial machinery by treaty, by act of Congress or by private benefactions, with a view to placing our foreign trade efforts on a basis of equality with those of Europe.

Honest endeavor of any sort is deserving of something better than ridicule, yet it is hard to refer to these misguided enthusiasts without a touch of sarcasm, at least. A bank, a steamer line, a commercial agency, are purely business institutions, and cannot exist properly on a basis of philanthropy. In plain language, a bank does not prosper if it must create the conditions by which it exists, a steamer line cannot show dividends if it must create a market for its cargo and a source for its return cargo. That we have not already built up such incidental institutions to export trade is due simply to the fact that until last year we were not actually engaged in export, for the main part, but were devoting the greater share of our energies to the production of raw goods whose foreign sale was a matter of accident and not of design. The banks, steamship lines, credit facilities and similar conveniences which European exporters enjoy to-day are the outgrowth of their older export endeavor. We shall

have these, and better, before our export effort is as old as that of Europe is to-day, but their origin and prosperity must of necessity follow rather than precede the demand for their services. Greater New York prospers to-day because of its rapid transit systems, yet it would be self-evident folly to assert that had such a system been established fifty years ago, New York would have been able to use it economically and to profit by it. Instead of building up the city, the operation of such a system would assuredly have bankrupted it.

The matter of credits, briefly mentioned above involves another misconception of wide and disastrous effect. Many American manufacturers absolutely abstain from entry into the Latin-American field because of an essentially incorrect impression that success there requires protracted credits on unsafe grounds. Nothing could be further from the fact. Of our present very creditable showing of sales to Latin-America,—of about one-eighth of that territory's total imports,—it is conservative to state that more than one-half are cash transactions, in which the manufacturer receives his full payment before parting with his merchandise. No more definite rebuttal of the delusion of necessary credits could be desired. But it is quite true that long dealings with European houses, who, among customers of many years' standing are willing to give liberal time accommodations, have led certain Latin-American houses to ask for credits which would appear slightly longer than those commonly extended to the same class of trade in this country. But such cases are comparatively rare, and when they arise, it is usually entirely practicable to arrange some compromise mutually satisfactory. And the unwillingness of the American manufacturer to extend the credit is usually due less to his inability to meet the terms desired in point of time, than to his instinctive distrust of the honesty and solvency of his foreign customer.

Naturally, no credit transaction can be considered advisable unless the buyer is able to present reasonable proofs of his worthiness. And the relative difficulty of securing information as to the resources of a Latin-American business house, inclines the American to distrust it. As a matter of fact, the level of business morality in all Latin-America is far higher than here at home. Fraudulent bankruptcy is nearly impossible, because of rigorous governmental inspection of books, and a record of business and bank failures throughout Latin-America would show so remarkably few instances

that no American would be willing to believe it. This somewhat theoretical statement is amply confirmed, moreover, by the experience of those who have learned to extend credits to their Latin-American trade as readily as they oblige their domestic customers. Without exception the largest shippers of this class testify that their losses abroad from unwise credits are negligible compared with losses at home, figured proportionately and not on the aggregate business.

A further incorrect impression exercising a deterrent influence on Americans who could profitably enter the Latin-American field, grows out of the anxiety of certain advocates of a ship subsidy. These persons strengthen their plea by belittling our present shipping facilities, until it is not remarkable that many Americans should believe that we have no facilities for the transfer of freight to Latin-American points. It is no more than the truth that our freights to these countries, as to all others, are carried almost entirely by the ships of foreign nations. We have not found marine carrying a profitable field for our capital and our energies and have left it to those who are willing to undertake more risk and labor for a smaller return than we can accept. But there has never been, nor can there ever be, any lack of carriers for all goods which we can sell abroad. The ocean carrier is not limited to any one course. He brings his ships wherever cargoes are to be found, and though local prices may occasionally rise slightly through unexpected increases in freights, there is not, there never has been, and there never can be, any definite shortage in the supply of carriers. This is a categorical denial of contrary statements, without other proof than the reader's common sense. As for the relative merits of foreign and American merchant ships, that is a question which has nothing to do with Latin-America, and which need not enter into the present discussion.

Such are the chief misconceptions of commerce with Latin-America. It is evident that no attempt has been made to treat specifically the host of minor errors which are far more common than correct views. As has been said, these minor mistakes arise from basic ignorance of easily discovered facts, from an imperfect knowledge of history and geography which a brief return to the text-books of primary-school days would suffice to remove. And it is pleasant to chronicle the rapid diminution in these more elementary and more harmful delusions, under the impetus of our new-

born need for a growing, profitable foreign outlet for manufactured goods. The day is not far distant when most Americans, instead of a very few, will realize that a Spanish catalogue in Hayti or Brazil is unproductive, that skates are not in demand in Venezuela or Cuba, that it is better to export flour to Brazil and harvesters to Argentina than to seek outlets for both in both countries. We shall learn, too, to meet courtesy with courtesy, to study the Latin trend of thought, to observe our field and to interpret intelligently the conditions under which we must labor. We shall assuredly overcome these problems, for we already feel the pinch of necessity.

Dropping criticism, there is much ground for pride in our accomplishment thus far. Indeed, if we require proof of the ultimate success of American export endeavor in Latin-America, we need only survey the deeds which have been done in the last decade to realize that not even we ourselves can prevent our final and complete domination of what unquestionably is to be the greatest import market the world has ever known.

## INVESTMENT OF AMERICAN CAPITAL IN LATIN-AMERICAN COUNTRIES

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Interest in foreign investments is a new feature, comparatively speaking, in American business. Until recent years the United States sought capital and had no reserve to offer for financing enterprises beyond its own borders. Word of golden opportunities, promising returns even beyond those anticipated from the domestic field, was met by the objection that American savings should be employed as a matter of patriotic principle in American undertakings, and that every bridge or railroad or street-car line built in a foreign country meant one less at home, of which we stood in greater need. Under such conditions it was natural that our regard for our sister republics was sentimental rather than practical, and that however much we might declaim against political or territorial aggression threatened by foreign powers, we had no objection to the assumption by our neighbors of obligations for current needs, as well as improvements, which placed them under the control of influences far more real than our proclamation of an international doctrine. The story of the first century of Latin-American independence was then, like our own, a record of improvements made by the goodwill of financiers in London and Paris, under bond-issues marketed in competition with our own demands.

The result was a matter of course. English capital provided for the construction of railway lines for bringing down the coffee crop of Brazil for shipment, largely to the American market; English capital made possible the harbor improvements, the sanitation of the cities, the extension of credit upon the season's crop, the arrangement of the national finances so as to meet deficits arising from lack of resources, extravagance or inexperience in many places. Similarly in the River Plate republics, Argentina and Uruguay, it was English capital that made possible the opening of vast tracts to cultivation, the transportation of the crop to the seaports, the economical handling and shipment of it to the consumers of the

old world. To such an extent was English capital involved in these undertakings that a bad season or two meant the downfall of a great London banking-house a score of years ago, bringing on a period of stringency and liquidation felt throughout the world for several years.<sup>1</sup>

Large investments in public and private securities, bringing dependence on the London market, led naturally to the establishment of English banks from the Amazon to the River Plate, which have grown and prospered with the development of the countries they serve, and which are to-day, after a century of operation, among the strongest and most respected financial institutions in the whole world, uniformly paying large dividends and strengthening their position from year to year.

The greatest of the Latin-American republics then are bound to England by every tie of interest and gratitude, from the placing of their crops to the marketing of them at the point of destination; shipment being made very largely in English cars, on English rails, through an English-built terminal to English-built warehouses, whence it is carried in English bottoms and sold—more than half of it—in the English market. And, in return, it is no more than natural that the steamers should carry out English manufactures on their return voyage and that there should be a predominance of English trade, which is because England is situated so well as regards encouragement, development and stimulation.

To a less degree and of later upbuilding is the participation of the other European countries in the affairs of Brazil and Argentina; but their influence is now being extended rapidly and profitably, so that German, French, Spanish and Italian banks and trading houses are found side by side with the English, taking away little or nothing from the share of the first comer, but building up their profits on the exploitation of the growing countries. Conspicuously absent from the list are financial institutions acting for the United States.

Such are the conditions that are to be faced as our own country passes from the list of those constantly seeking loans to the company of the older nations having surplus resources, the investment of which, in foreign undertakings yielding larger profits than those now customary at home, may by the very fact of such larger profits tend toward an easier condition in the market for domestic under-

<sup>1</sup>Failure of Baring Bros. in 1890.

takings. For there can be no question that in the less developed countries there are many legitimate opportunities promising a richer return than is usual at home, and that such investments must strengthen our own position and further stimulate our own development. And in that direction follow the extension of trade, the advancement of commerce and industry, and the better realization of that noble dream, the sisterhood of the American nations.

It has been a common complaint for years that our trade relations with the Latin-American countries are not what they should be. In one sense that may be granted, namely, that our efforts in that direction are not what they should be. On the other hand, it might be said that they are as good as could be expected, and that the doubling of our trade in the past decade is evidence that our neighbors are willing to meet us at least halfway. The mere fact that we buy more than we sell is of little moment; the same is true of our European competitors. The Latin-American republics, owing to their relative condition of development, require a large balance of trade to meet their obligations and to provide for improvements; and this state of things may be expected to continue indefinitely. Neither is the absence of vessels under the American flag, often urged as a discouraging factor, any real reason for the relatively poor showing of our trade. Steamers of other nationalities there are in plenty, offering frequent sailings from our ports and excellent accommodations, and, it is to be feared, returning to their shareholders a lower rate of dividend than American investors are accustomed to expect. The decadence of our merchant marine is a question of national importance, but so long as cheap and frequent ocean freights are offered, it has only indirectly an influence on our foreign trade. It is a question apart.

Of more importance is the reason, also frequently urged, that there are no American banks. This is very near the root of the matter. For while in matters of exchange alone, it is entirely feasible under existing facilities to finance any transaction of international trade with our sister republics, the absence of American banking houses means the absence of Americans interested in making loans and investments, in creating those conditions of prosperous development which in turn create a market for foreign goods and lead the beneficiary to turn naturally for advice and for trade to his benefactor. This is the weakest point in our present relations with Latin-

America. Our position is selfish. We offer a surplus stock of goods, not always in a way to suggest interest in continuous relations, and we tender no assistance that can be compared with that offered by our competitors. Investment of capital in legitimate development is the surest way to bind these republics to us in friendly relations and in mutual commerce.

South of our borders, on the American continent, are seventeen republics; in the Antilles, three. Between Texas and the Isthmus our trade is predominant; in the continent of South America we hold a minor place, except in a few great staples; coffee and rubber on the one hand, flour and oil on the other. Yet if from the current statistics of commerce we turn back a couple of decades, we shall find that no great while before Blaine's call for the first Pan-American Congress, this country was second to Great Britain in the trade of every one of the Latin-American republics. Even our next-door neighbor, Mexico, now bound to us by the closest ties of commercial dealing, involving nearly three-quarters of the total volume of her trade, was then dealing to a proportion of nearly three-fifths with England. Central America was neglected, except for the project of an interoceanic canal; Cuba, under the Spanish commercial system, took her trade across the ocean instead of over the Florida Channel; South America was a region relatively unknown, its possibilities so little understood that an American consul at Buenos Aires under the Harrison administration prepared a lengthy report, duly published by the Department of State, in which he pleased the American farmer by the prophecy that owing to poor soil, drought, distance and lack of intelligent labor, the River Plate republics could never become factors in the world's wheat market; could, therefore, never seriously compete with America's staple export!

The two decades since the Blaine conference have brought about the displacement of Great Britain, and the predominance of the United States in the trade of ten of the twenty Latin republics. Those which have come close to us, including two which did not exist at the conference of 1890, have a population altogether of some twenty-two millions. Those which remain aloof have a population of double the first ten, approaching forty-four millions, and an area many times as large, a production and total trade enormously greater. A brief survey of the conditions which have linked

us with the first ten, and of those which have held the greater ten to their earlier relations, may assist us to estimate what may be our progress during a like period of the future.

In the Antilles, the two republics occupying the ill-fated Hispaniola of Columbus have not materially changed during the two decades. Adverse conditions, discouraging to themselves and their neighbors, have kept capital away from Haiti and Santo Domingo and limited commerce to necessities. The helping hand of the Roosevelt administration has insured stability to the Spanish-speaking republic, and similar conditions may be brought about in the French-speaking one. The prosperity of this island in the late colonial period, when it supplied the finest mahogany and logwood to the world's markets, may be duplicated and greatly extended when railroads bring the rich valleys of the interior into cheap and quick communication with the coast, opening up forest areas still virgin, and fruit-growing areas nearer to our Atlantic seaports than any of the present areas of large production. Increased export duties, swelling the government revenues and placing money in general circulation, will raise the conditions of life among the people and increase their purchasing power. That this will be the work of the next twenty years can hardly be doubted; that it will be the result of the investment of capital attracted from the United States rather than England is as certain as that the commercial benefits arising will flow principally in our direction.

In the greatest of the Antilles, the republic of Cuba has made such strides that the figures of its trade in the days of Blaine have no appreciable relation to those of the current year. A prosperous nation, sure of its economic position, and dealing confidently with the social and racial problems that are its colonial heritage, has supplanted the starving and desperate colony of the earlier period. Investment of capital in its railroads and highways, under the stimulus of a great citizen of Canada, accommodation readily accorded for the improvement and extension of its plantations and the safeguarding of its national obligations, have all brought Havana closer to the money market of New York than many a city within our own boundaries.

Coming now to the continent, our southern neighbor, Mexico, is at the same time the most conspicuous example of the expansion of mutual commerce and of the investment of American capital. A

generation ago the seaport of Vera Cruz was the principal gateway to Mexico. But several lines of railroad linking the capital with our own railroad systems have been constructed, the work being financed largely from this country, and stocks and bonds have been listed on our exchanges like those of any home enterprise. The effect has been to change the direction of travel and trade, so that the Mexican district is a part of the field regularly covered by our merchants and manufacturers. It is at present hard to realize that only a few years ago we were almost strangers to this near neighbor, when we were striving to prevent her from falling under the control of European influences, which predominated to the exclusion of our own. The flow of American capital into Mexico has been one of the most notable features of our foreign relations; the exploitation of its vast mineral resources has had the first place, then came the extension of its transportation system, the development of its local transit and lighting, the harnessing of its watercourses to provide power for industrial use, and even experiments in plantations under corporate control. The effect in raising the general level of prosperity, the standard of life, in stimulating local education and enterprise, in enlarging the purchasing power of the country and our trade with it, can hardly be calculated in figures. Recent uncertainties have brought out the statement that American capital is invested in Mexican enterprises to the extent of more than a billion of dollars. Whatever the total may be, the result is evident. Mexico will never again appear in the list of those republics whose trade is predominantly beyond the seas. It is more intimately a part of the commercial system of the United States than if it were actually a part of our body politic. And the change has been brought about without detriment to the interests of older nations. English trade with Mexico has increased, so have English investments. Very appropriately the greatest enterprises for the improvement of Mexican over-sea commerce have been under English guidance. The harbors of Vera Cruz and Tampico, and, even to a more conspicuous degree, the railroad across the Isthmus of Tehuantepec with its modern ocean terminals, which brings Hawaiian sugar to New York at a large saving in the cost of transportation, and built up almost over-night one of the busiest lines of traffic in the world, are enduring monuments to English foresight.

In the five republics of Central America the transformation

has been less rapid. Suffering like the other tropical republics from the economic changes coincident with the modification of their monetary standard, there are yet many problems of social and political organization which have tended to delay their enjoyment of the rich resources that are normally theirs. But the greatest sources of encouragement have been those following the development of fruit cultivation, bringing regular steamer communication with New Orleans, Mobile, Baltimore, Philadelphia, New York and Boston. And there is no reason to doubt that American capital will be employed, as soon as conditions justify the venture, in the much-needed railway extensions that will link their rich uplands with their natural outlet on the Caribbean, and so end the comparative isolation under which they still suffer. In the republic of Costa Rica this work, begun under English capital, and extended to meet the needs of fruit plantations in which Americans and Costa Ricans are interested, has furnished very nearly the system of communication needed.

On the Isthmus itself conditions are peculiar in that the greatest demand arises from the needs of the American colony engaged on the canal work. And here is, of course, the greatest single instance of the investment of American capital abroad stimulating the interest felt in this country by all the republics south of the canal, and promising great changes in transportation and commerce immediately upon its completion, which will come about mainly under assistance from this country. Guayaquil and Callao, now nearer to London and Hamburg by sea than to New York, will be brought almost to our doors; and the flow of capital, which has been most marked in recent years in the case of Peru, may conceivably increase until our investments attain a position almost if not quite as commanding as in Mexico. Southern Colombia, Ecuador, Peru and Bolivia possess latent resources of which the United States stands in need, and which are sure to be developed and exploited to the benefit of those countries as well as our own. Railroads to bring the ores down to the sea, and to reach great tracts of fertile uplands now inaccessible to trade but capable of raising great quantities of cacao, cotton, rubber, sugar and fruits, will stimulate settlement, industry and commerce, along lines which will point toward New Orleans and New York rather than the ports of Europe. The west coast is singularly rich in natural resources, but lacking in population

and funds for developing them. In this work the participation of American capital is assured.

There remain to be considered the more powerful and advanced of the South American republics, Chile, the River Plate countries and Brazil. Here the situation is altogether different. Mineral resources are known and worked, railroads are built as the traffic justifies, agriculture is highly developed, busy cities have grown up, and the work has been done with capital supplied from England and the continent of Europe, which in turn take the greater part of the resulting product. Here in the most prosperous portion of Latin-America the work is already largely done which we are beginning to do in the tropical republics, and the opportunities for investment are those arising in a developed community in many respects like our own, instead of in a new and untried field. Yet here are the greatest accumulations of wealth, the greatest interest in improvements of all kinds, and in some respects the greatest need for American participation if our relations with these republics are ever to gain any prominence. And in these countries there is no American bank, no systematic study of the many opportunities for American investment, and but a meager representation of American business houses; while Valparaiso, Buenos Aires and Rio de Janeiro are full of just such outposts of progress representing all our European competitors, watchful over the needs and desires of twenty-seven millions of people.

It is not to be expected that the United States will ever be as intimately concerned in the development of Chile and Argentina as England and Germany have made themselves. The work is already too far advanced. But the rapid increase of wealth in those countries is constantly leading to new projects affording promise of safe and substantial returns; in which an enlarged interest on the part of American capital will be at once profitable and productive of a feeling of greater cordiality and solidarity on the part of these progressive nations, whose co-operation is so desirable in the defense of American unity and progress. The influence of an American investing interest in these southern republics would be mutually stimulating and beneficial.

In Brazil, great as has been the total of English investment, and advanced as the work of development has become, the future possibilities are incalculable. Within an area greater than that of con-

tinental United States, dwell hardly more than one-fifth our population, served by about one-twentieth our railroad mileage. The improvement and growth of this great nation will be one of the features of the coming century. More closely bound to us by ties of friendship than most of the South American republics, sending us the major part of her greatest staples, the possibilities of co-operation are enormous. The very fact of the extent of the present investment of European countries will tend to turn Brazilian leaders toward seeking a larger share of help from the United States. And every increase in such accommodation will be reflected, inevitably, by an increase in the exchange of goods between the two countries. Trade is no matter of sentiment, and other things being equal, a nation buys where it can get the best terms.

In the earlier days of foreign investment in Latin-America, concessions were sought and granted which were too sweeping to be capable of execution by either side. Venal cabinets and congresses were induced to vote rights which their successors found it politically profitable to repeal, leading to bitter disputes and international complications; conditions were smuggled into such grants which provided for large advance payments to the grantor, with strong probability that the task would prove beyond the power of the grantee, and that a new proposal might be invited after a short interval; while on the other hand rights almost involving national sovereignty and honor were sought and obtained under various forms of persuasion by persons of no responsibility. Such grants would become the basis of unscrupulous speculation and of clamorous appeals to the national government to intervene for the protection of privileges which they would never have dreamt of granting within their own borders, even to their own citizens. The passing of such adventurers is most fortunate. The lesson must be learned that to avoid jealousy and distrust of the foreigner, the native citizen must at least be offered a visible benefit arising from the right he grants, and in some definite proportion to the profits accruing. There should be no more reason for diplomatic complications to arise from an investment in a railroad through a tropical country than from one in connection with a reservoir for a large city in our own country. Mutual confidence and benefit should govern all such enterprises. Greed and exclusiveness, arrogance and supercilious disregard of native rights are responsible for the distrust of the "gringo." The

native sensitiveness of our Latin neighbors, directly responsive to the appeal of sympathy and consideration, should be made a sure support in extending our relations with them.

From national policy and natural position, American capital may be expected to claim its share in the development of the new world, rather than to seek returns in more distant lands, where others will have greater interest and concern. It is through such influences that the broad principle of solidarity which inspired the Monroe Doctrine may be soonest and most surely realized.

## COMMERCE WITH SOUTH AMERICA<sup>1</sup>

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Our trade relations with South America have latterly again become a popular subject and the newspapers present daily articles on "our neglected opportunities" there. The average reader is led to believe that all South America is still a virgin field for the American merchant and manufacturer, that the trade has been idly abandoned to our European rivals, that we should really now go in and take the lion's share of the business, which is to be had for little more than the asking, and that the peoples of our southern continent are really only just waiting for us to discover them and supply all their needs. The press tells us that these neighbors are eager for American goods, in preference to all others, but do not know how to get our articles.

Then there are those who write a book hastily to inform us authoritatively on the situation. Their hearsay facts are generally more worthy of the fiction shelf than of being spread broadcast as verities.

Some misleading reports have been prepared by men commissioned to submit carefully ascertained facts. A hasty trip through a country can yield but superficial knowledge and casual evidence, yet information so obtained is freely set forth as authentic, often to the intense astonishment of those who have long resided in the country which is made the subject of report. There are also many self-constituted authorities, who print or speak similar vagaries. So recently as February there was published an address in which it was implied that goods for Buenos Aires must still be shipped via England! Also that Callao (Peru) is "an exposed open roadstead where ships must anchor off the surf and unload into barges tossing and heaving on a rolling swell," the truth being that it is a fine harbor, with magnificent stone docks, within which a large fleet of vessels may enjoy all modern facilities for discharge direct to railway cars. Indeed, Callao is by far the best equipped port on all that coast. It was also stated as a fact that "the business integrity of the Spanish-American is so high that he very seldom fails to

<sup>1</sup> It is the general policy of the Academy not to publish anonymous articles, but there are special reasons in the case of this article for complying with the wish of the author.

pay." And yet the author of the article referred to poses as having traveled intelligently throughout South America.

Again, we constantly read reports from the United States consuls, chiding us for our neglect of those markets, where golden opportunities cry out to us and yet pass unheeded. We are charged with indifference to trade of all sorts, trade that is immensely profitable, trade that is workable on wholly safe lines. Consuls are not situated to fully appreciate the financial and other manifold responsibilities which underlie many of the undertakings that, to them, may seem just like out-and-out business propositions; yet these, upon closer inspection, often turn out to be either impracticable, or else lack the necessary funds to carry them through.

So consular reports should not be taken as the forerunner of trade, nor the creator of trade. They are likely to deal more accurately with what has already taken place, or be reviews on the general situation, or else afford statistical information. This statement refers to consular reports generally, not alone those from our own representatives. The consul cannot be expected to enjoy the inner confidences of the local business man, nor be hourly informed on commercial and financial movements.

It is a mistake to regard South America collectively, for no two of the fourteen countries have the same currency, and they vary widely as to climatic and other conditions. Some have large expanses of plain, while others are principally mountainous, ranging up to plateaus of 12,000 feet; and instances where we find their most important towns at altitudes of 7,000 to 13,000 feet are numerous. Here at home we pay due regard to the fact that conditions in Arizona are radically different from those of Maine and that the Dakotas do not want just the same goods as are required by Florida.

Again, distances in those countries are great, and forms of transportation are varied; but, for the major part, cart-roads are still of the primitive sort and in many places even these are almost impassable. Except for the southerly part of the continent, there is as yet no great railway development.

Then, except for a few favored harbors, which are almost wholly on the Atlantic side, the so-called "ports" are little better than

open roadsteads in many of which the ship is really at anchor on the high sea. This subjects her to the ocean swell which, especially on the Pacific coast, causes such heavy movement that, even in normal times, the uninitiated observer may well wonder how the handling of cargoes is at all possible. When the long swell sets in heavily, at certain seasons of the year, the careen of the vessel is almost like that of a log and it is only with consummate skill that the native laborers can handle the lighters bobbing wildly alongside.

Each of these countries must be considered separately, but cannot be treated *in extenso* in such a paper as this. With special reference to the Pacific side, we find that:

Chile is unique in conformation, having nearly 3,000 miles of sea coast and a back country which averages only about 100 miles in width. Walled in physically by the lofty Andes, it must ever be regarded as a country of only north-and-south, and so must be served through its innumerable ports rather than from any land center. With a population of about 3,500,000 people, it is a wonderfully large consumer of foreign articles. It may be roughly divided into three zones: the southern, embracing the old Patagonian territory on the Straits of Magellan, and the long strip of wet, desolate and almost uninhabited country up to the latitude of Puerto Montt; the central zone, from Puerto Montt to Coquimbo, is the really developed section of Chile, being rich in agricultural and pastoral pursuits, and blest with a beneficent climate. Irrigation is carried out very thoroughly; from Coquimbo to Arica, constituting what we may call the northern zone, is practically all arid country, but rich in mineral resources, and contains the only commercial supply of nitrate of soda, of which very important article about 2,500,000 tons is now annually exported to all parts of the world.

Bolivia lost her seacoast when warring with Chile, thirty years ago, so it is now an inland nation. The population is estimated from 1,500,000 to 2,000,000 but consists so largely of Indians, and mostly in such remote regions, that no reliable census is possible. The country's principal cities are on the high plateaus of the Andes, at great altitudes. This is the only region of much development, and railway construction there is now active. It is very rich in silver, copper and tin, and holds out prospect of great mining operations in the future. The production of tin has been rapidly increasing

and Bolivia promises to become the chief source of supply for the world. The easterly part of the country, on the tributaries of the Amazon and other great interior rivers, is practically inaccessible from the Pacific and its only development has been in the rubber districts.

Peru offers the combination of a long seacoast, to which many fertile valleys are tributary; and her immense regions on the easterly slope of the Andes will undoubtedly undergo great developments, as the means of communication with the interior are gradually opened up. The population is roughly estimated as somewhere between 2,000,000 and 2,500,000, including the remote native tribes. Her great sugar estates are all under irrigation, and the cutting of the cane is carried on through practically each month of the year, while most other sugar countries are limited to a short harvesting season. In mining wealth, she is proverbial. And she produces a peculiar long-stapled-rough cotton not to be had elsewhere.

Ecuador is essentially a tropical country and still in the very early stages of development. The population is difficult to estimate, but is probably about 1,500,000, mostly of the Indian race. Her products are principally of the tropical sort, with cocoa in the lead. The trans-andean region is little known, but offers much for the future.

These countries of the Pacific slope offer many mountain streams suitable for electrical power purposes, but there is a lack of markets for the power so obtained. In most cases the necessary money investment could not find sufficient consumers to support it. The notable exceptions are Santiago (in Chile) and Lima (in Peru). The latter has, under American auspices, undergone a development, for trolley and industrial purposes, which has no equal in all South America.

Each country has its industrial enterprises, according to local conditions, but, along the west coast, Chile has by much the lead in its variety of manufactures, although Peru is decidedly to the front in the making of coarse cotton goods. Railway and mining developments are really the great hopes of nearly all that part of the coast to the north of central Chile.

It is already a threadbare platitude that "the trade follows the flag," in so far as dealing with foreign markets is concerned; and,

in parallel, is the rather wearisome chant by certain interests, and by unthinking persons who join in the chorus, that our commerce with South America languishes simply because we absolutely lack frequent and cheap communication.

It is frequently asserted, sometimes by those who should know better, that we cannot ship goods to distant ports of South America, unless via Europe for trans-shipment thence by the numerous lines plying to all parts. The misleading and even untruthful nature of such statements is shown when we consider the facts. Taking the calendar year 1910, it will be found that from the port of New York alone, steamers were despatched as follows:

For	Regular lines.	Monthly sailings.	Annual sailings.
Brazilian ports .....	5	8 to 12	about 125
River Plate ports .....	6	10 to 12	about 125
Chilean and Peruvian ports, via Magellan.....	3	3 to 4	about 40

So it will be seen that the trade is not hampered by infrequency of sailings, and the various companies operating these great fleets are all only too ready to still further increase their tonnage, to satisfy any temporary or permanent demand. In fact, having regard for the volume of cargo available, these countries are already relatively as well served from New York as are the principal ports of Europe and Asia.

Nearly all the boats for Brazil, as well as those for the River Plate, accommodate passengers, and some of the lines operate excellent passenger boats on good schedule time. So it is no longer necessary to travel via Europe, except for those travelers who wish to spend more time and more money, because they like to take in the pleasures of London and Paris en route. In addition, many steamers and sailing vessels were loaded from our South Atlantic and Gulf ports, carrying principally whole cargoes of lumber, rails, refined petroleum, etc., etc.

Between our own Pacific coast and the countries on the South Pacific, there is also a considerable trade, but it is mostly in lumber from Washington, Oregon and California, although considerable flour is shipped, as also a limited amount of canned goods and miscellaneous wares.

There are two steamship lines regularly in this trade, and numerous sailing vessels are chartered to carry cargoes of lumber.

In addition there is an American line of steamers covering the various ports from San Francisco to Panama, which also carries passengers and cargo for trans-shipment southward at Panama.

The west coast is also served by the Panama route. There are four regular steamship lines from New York, and a couple from the Gulf, which make the connection at Colon. This route naturally takes the passengers, mails, and high-class cargo, not only from the United States but also from Europe.

From Panama southward there are two very excellent passenger and cargo lines, one English and the other Chilean, with sailings to make a weekly average; these include a fast fortnightly express service, covering the principal ports between Panama and Valparaiso in fourteen days. So it is possible to make the journey from New York to Valparaiso in twenty to twenty-one days.

In 1909, with the support of the government, a Peruvian line inaugurated a fast fortnightly service between Panama and ports of Peru. Two fine new passenger boats were put on but misfortunes soon led to a suspension of operations. This company, however, has now resumed its service, and with the building of additional steamers contemplates extending the voyages to Chile.

The matter of freight rates is another bugaboo which is constantly emphasized, to impress the American trader that we are sadly handicapped in that respect. The truth is that we pay ocean rates which, while averaging about the same as those from Europe to South America, are frequently even lower. By way of illustration, we have examples of rates current during the last year, on low class goods, as follows:

To Brazilian ports.....	Voyages of 4,000 to 5,000 miles, 15 to 18c per 100 lbs.
To River Plate ports.....	Voyages of 6,000 to 7,000 miles, 16 to 20c per 100 lbs.
To Chilean ports.....	Voyages of 8,000 to 9,000 miles, 20 to 25c per 100 lbs.
To Peruvian ports.....	Voyages of 9,000 to 10,000 miles, 22 to 25c per 100 lbs.

in contrast with which graphic array we have examples of nearby rates on similar goods, such as:

Pittsburg to New York, by rail.....	about 450 miles, 10½ cents.
New York to Charleston, S. C., by sea.....	about 625 miles, 15 cents.
New York to Savannah, Ga., by sea.....	about 800 miles, 15 cents.
New York to Cuban ports, by sea.....	1,000 to 1,300 miles, 15 cents.

From this exhibit it must be seen that there is no lack of adequate transportation facilities to South America, nor that exorbitant rates prevail. And it is all done without ship-subsidy, except that enjoyed by one line under the Brazilian flag.

Quite recently a large manufacturer of automobiles, in either Michigan or Wisconsin, publicly stated that he was doing a very nice business with the Argentine; and, when asked whether shipping charges were not an impediment, he frankly stated that he was entirely satisfied, as it cost him only \$85.00 per car from his factory to Buenos Aires, whereas the freight on a similar car from his factory to San Francisco cost him \$125.00.

Much clamor is made because there are no strictly American banks in South America, and because for lack of same, we cannot foster our trade. There is nothing to hinder our capitalists from going there, if they wish to do so, and their money would be more than welcomed. But they find no special inducement in prospective profits compared with more comfortably employing their funds at home.

There are numerous first-class British banks in all the principal southern countries that afford all manner of facilities and do not abuse the confidences of their customers. Most of these have their own agencies in New York.

The German banks are aggressive for a big share of this business, but do not limit themselves to purely financial functions, for they also invade the commercial field and go out of their way to secure contracts—for local industrial enterprises for the German manufacturer, all a part of the admirable system of the Germans for Germany forever.

The French, Italian and Spanish institutions are also important factors, more particularly in east coast banking. And all the South American countries have native banks, ranging from purely local concerns up to powerful institutions that figure largely in international finance.

The advent of American banks would add nothing in facilities, or cheapness, to what is already enjoyed. Europe buys the great bulk of South American produce, also furnishes the necessary capital for both public and industrial developments, on terms not yet likely to tempt the American investor. So London, Paris and

Berlin will probably remain the international clearing houses for a long time to come.

There is already a large American banking corporation, organized particularly for Asiatic, Philippine and Panama business, which cannot finish up its business in New York, and is compelled to use London as its settling center.

There are a great many banks and private bankers in New York, as well as other American cities, only too ready to serve the reputable South American trader by discounting his drafts at six per cent per annum, plus a charge for collections which will vary from one-eighth per cent to one per cent depending upon the remoteness of the collection point. And with the pound sterling as his settling medium, he does not really suffer a loss in financing, for his bills are freely negotiable, at the current rates on London, which rates are subject to a very keen competition upon the enormous New York exchange market.

There is no doubt that the introduction of special lines of goods is greatly assisted by the special salesman, and his mission is helpful to all concerned. But there are few American commercial travelers who go out fully qualified for their missions.

The novice starts bolstered with the American idea of "get there somehow," and has his conceit of vanquishing the field easily. He has no respect for well-established conditions, and his rough effort to override these frequently results in his undoing. Seldom is he fluent in Spanish and rarely is he tolerant of customs quite strange to his habits of life. In contrast, the commercial men from Europe are patient and indulgent, for they do not expect to carry all before them.

In the South American countries, principally for the purpose to provide municipal revenue, it is customary to license all lines of business and professions, whether banks, doctors, traders or lawyers, according to a graduated schedule. So it is natural that the local tradesman, whether wholesale or retail, quite openly resents the invasion of his field of itinerant salesmen who do not carry the burden of fixed expenses. In some parts the result is a town tax levied upon all visiting salesmen, and woe to him who tries to elude this fee, for if not betrayed by his prospective customers, he will likely find that his innkeeper has privately reported him to the tax

collector, with whom he is in collusion for a share of the heavy fine then imposed.

Although the assertion is frequently made that we do not look for South American trade, the fact remains that every commercial center, in all that continent, down to towns of the sixth and seventh degree in importance, is constantly visited by American travelers, and also drummed incessantly by local salesmen, who are either Americans, or so closely represent American merchants and manufacturers, that full justice is done to such trade as far as it is possible under ever-changing conditions.

The struggle to transact the largest possible business is very keen indeed, and it is so all along the line. The competition is so close in many cases that the margin of profit reaches practically the vanishing point. American articles are prominent in this mercantile effort.

Here in our domestic trade the merchant, jobber, or manufacturer would often refuse to do business on the slender margin that the South American importer must constantly accept, in transactions of any magnitude, in competition with his British, German and other European rivals. Moreover, the merchant there has usually to extend terms of credit that would not be conceded here, and in some countries he is hazardously exposed to fluctuations in the values of the currency, much more violent than was the case of our own paper money in Civil War times. The resident South American merchant has by no means the indolent and prosperous life so often pictured of him.

We have been so fully engaged in opening up and developing our own vast country, under very profitable financial and mercantile conditions, that the inducement to put money into foreign countries, especially those to the south of us, was not tempting, compared with returns equally good and usually much safer to be found in our home markets. But latterly we have reached such a condition of industrial development, even in times of normal demand at home, that we have a surplus of manufactured goods, which more than ever forces us to seek sales in the foreign markets, and South America is now paraded as a new field for enterprise.

There is nothing mysterious about this export trade, but our

manufacturers must realize that more care is required, and that they must feel some larger responsibility, of at least a moral sort, than in our domestic sales. It should not be imagined that the customer at the other end has any respect or sentiment for the national origin of the goods he is prepared to buy. The consumer is the ordinary human being and struggles to get the best value for his money, without a care whether the article is of American or European make, so long as price, quality and style are suitable.

The proper packing of goods is certainly an important matter. It often happens that our factory people feel that almost anything is "good enough for those people down there," in which spirit the packing-room and shipping-room get rid of their work in the confidence that the goods are going so far away that any negligence can scarcely be brought home to the guilty parties. In our home trade, where freight is all charged on the weight, there is always an effort to reduce the gross weight of goods to a minimum; so boxes and other containers are made cheap, thin and light, to the limit of shipping condition tolerated by the railroad or steamboat.

Just here comes in the great difficulty of getting the American manufacturer to have his packing room distinguish intelligently between the preparation of goods for domestic trade and those intended for the foreign market. Ocean rates, except on dead-weight goods, are charged on the cubic measurement. Fragile packages, put up without regard for their bulkiness or their many rough handlings en route to destination are unsuitable for export. Frequently second-hand boxes are used and reach the steamer in such wretched condition that no carrier could be expected to sign for them as being "in apparent good order," and these often bear old shipping marks which cause confusion at all points of re-tally, and then difficulty in the South American custom house, to distinguish which mark is really intended.

It is notorious that such articles as boots and shoes, patent medicines, perfumeries, fancy soaps, etc., etc., are always liable to robberies en route, whether before or after reaching the steamer, so the packages should not have their contents "advertised" on the outside, as this is a standing invitation to loot them.

Most American manufacturers do not charge openly for packing, but it is in their prices all the same. Far better to pack well

and charge frankly for it. The European manufacturer has the reputation of good export packing, and charges for it, often quite heavily, but he always provides new packages. So we should pack properly, under reasonable charges, and try to give our foreign customers satisfaction. They would much prefer to get their goods in sound condition and on time. Claims for breakage or damage, arising from careless packing, are usually disputed and, anyhow, are disagreeable for all concerned.

As a final word on this subject, however, it is but just to state that a general complaint against the American manufacturers for bad export packing is undeserved; it is the few careless ones that cause the trouble. The British factory is often at fault for too dear and over-heavy packing, the latter a serious thing where import duties are assessed on the gross weights.

We hear criticism of the rough finish of our machinery, whereof it is contended that nothing is added to the utility, or wearing qualities of the machine, by fine finish of the invisible and non-working surfaces. It is a common practice to use a filler, for smoothing-out the rough parts of castings, and all is then nicely painted over, so that the machine may have a pleasing appearance to the customer. Sometimes before and sometimes after sale, this filling material drops off and leaves such a scarred looking machine that the customer considers he has been deceived and forms a new prejudice against American machinery.

The latest complete annual statistics on *our* trade movement are for the year 1909, and show up for the principal countries as follows:

	Exports.	Imports.
Ecuador .....	\$2,397,995	\$3,416,146
Peru .....	5,923,340	6,835,530
Bolivia .....	4,349,412 <sup>2</sup>	Negligible
Chile .....	9,601,084	19,649,707
Argentine Republic.....	43,068,829	26,066,790
Brazil .....	22,265,534	123,817,298

in which our sales consist of all sorts of goods, implements, and machinery; while our purchases were

From Ecuador, principally cocoa and rubber.

From Peru, principally copper-produce, cotton and alpaca wool.

<sup>2</sup>This is a palpable error, for \$1,500,000 is nearer the fact.

From Bolivia, practically nothing.

From Chile, mostly nitrate of soda, the balance mainly copper produce, and ores. The world's supply of nitrate of soda is absolutely monopolized by Chile, which article accounts for our comparatively large importation from that country. We *must* have it, so Chile owes us no special favor because we have to buy it of her. Leaving this article aside, she purchases from us about \$5.00 of our goods to our \$1.00 of her products.

The Argentine Republic is another example of our great lead in sales, compared with our purchases; and the figures for 1910 will prove not only much further growth but a still larger share in our favor.

In Brazil the trade balance is against us, simply because of our unavoidably enormous purchases of her coffee and rubber.

With the nearer countries of South and Central America, we enjoy such a preponderance of trade that we have no reason for complaint.

The foreign buying power of the several countries is a useful index to their trading possibilities. Taking up the official statistics and also the estimated populations, we can arrive at a per capita capacity, such as shown by the following:—

Country	Total importation for the year 1909.	Estimated population.	Imports per capita.
Ecuador .....	\$9,350,000	1,500,000	\$6.23
Peru .....	26,000,000	2,250,000	11.55
Bolivia .....	14,775,000	1,750,000	8.44
Chile .....	94,350,000	3,500,000	26.96
Argentine .....	302,750,000	7,000,000	43.25
Brazil .....	179,700,000	21,000,000	8.56

It cannot be pretended that such a table is authentic; but even approximate figures permit us to approach the facts. Those figures in the case of Argentine, which is passing through a period of great prosperity, are plausible. In Chile the people spend freely and are proverbially improvident. The other countries have not so much spending power. The tabulation, altogether, is fairly illustrative.

In all this trade, the exporting merchant is a very important factor, whether buying for his own houses or for his agents in South America or on commission for the many firms whom he may repre-

sent. This established merchant is constantly a pioneer in bringing to the notice of his South American customers the possibilities of business in new articles; or, as changing trade conditions arise, the opportunity for dealing in staple lines of American goods which had not hitherto been available on terms of competition in the foreign markets.

He is usually the man to supply the cash demanded by the manufacturer, promptly upon delivery of the goods, the merchant doing this with his own capital or making his necessary financial arrangements. In turn, he has to grant the necessary credits to his customers in South America, few of whom remit in advance; and it is generally necessary to wait for remittances until thirty, sixty or ninety days, and even six months, from the arrival there of the shipping documents, or of the goods themselves. It can be stated that the capital of a merchant exporting to South America cannot, as an average proposition, be turned over more than *twice* in twelve months!

The merchant has further to carry a direct responsibility for all his errors of omission and commission, as well as for delays in shipments arising from factory, railway or steamer disappointments; as also for mistakes in the hurried preparation of consular documents, which involve calculations from American weights into the metric system, and translations into the Spanish (or Portuguese) nomenclature of all the unending variety of articles in his invoices. He is held at least morally, and too often pecuniarily, accountable for any fluctuations in the market, whether real or fancied, that may operate to the disappointment of his customer; and he is always exposed to repudiation of his shipments, by customers over-ready to shirk their obligations on any sort of pretext, brought on by some unfavorable change in the mercantile situation or by an adverse turn in exchange there, which may lead a customer to prefer not to receive the goods.

The body of our merchants engaged in South American trade are reputable men and well regarded. Of course, in all walks of life, there are some who abuse; and it is only the occasional commission merchant, over-greedy of profit, who is responsible for the feeling of many manufacturers that the commission men altogether are highly detrimental to the trade and should be eliminated at all costs.

The merchant is under heavy expenses, which constantly tend to increase, including lavish outlay for cabling; yet his legitimate

remuneration steadily diminishes, under the sharp competition he daily undergoes. For the few large markets, capable of taking big quantities, business in staple lines seldom leaves the merchant a gross remuneration of over two per cent and he has often to work for even less than one per cent. For the purchase and shipment of miscellaneous goods, he does not average more than two and one-half per cent to three per cent, coupled with the giving of credit. In the handling of orders for small wares, such as hardware, tools, glass-ware, notions, etc., etc., his clerical work is disproportionately expensive; and the merchant is by no means recompensed by a lesser charge than five per cent although, in the stress of competition, the mistake is often made of handling such business on two and one-half per cent to three per cent commission. This multitudinous detail exposes the documentation to petty and almost inevitable errors, whether as to description, contents, or weights; and in this line of trade the customer is usually of the sort who makes claims on general principles. Were the merchant to keep close watch on the allowances he is constantly compelled to make, to satisfy such claims, it would be demonstrated to him that the business soon becomes absolutely unprofitable, when worked on a too meagre margin. In fact, even the Hamburg commission merchant, who is supposed to work for almost nothing, has now become unwilling to pare down his commissions, where the clerical cost and incidental responsibilities are so onerous.

After all, this question of credit is just about the same, whether the goods are from Germany, England, or the United States. For it is usually the merchant, or merchant-banker, who has to accommodate the customer; as the manufacturer, whether European or American, is reluctant to carry the foreign risks, or have his capital tied-up awaiting uncertain returns. In substance, the worthy South American tradesman gets about the same facilities for payment, in one or another form, whether he buys from the United States or from Europe. It is usually the unworthy customer, whether he be located in Chicago, or in Buenos Aires, that protests the loudest when a cautious merchant declines to grant him unreasonable terms.

All trade must eventually work back to the primitive law of barter, which principle leads up to a statement of the simple fact that we now buy absolutely nothing from South America unless com-

elled to. Notwithstanding, we try to cajole ourselves into the idea that those countries really must, almost under pressure, deal with us, and should even accord us preferential trading favors not to be conceded to our commercial rivals.

The American slogan now is that we must multiply our exports to South America. Yet, do we deserve a larger share of that trade than we already hold? Do we contemplate increased bartering? Can we expect to do all the selling, that the trade shall be wholly one-sided and at that in our favor? Is not our tariff "in restraint of trade" with South America? Is not its "spirit" to buy the least possible from a customer to whom we insist upon selling much?

We already have ample shipping facilities. We also have good financing facilities. We have plenty of goods to sell. We have enterprising merchants and manufacturers. But, have we yet established the proper national policy for dealing with the South American countries? The answer is a negative one and therein is to be found the real obstacle to a fuller and more rapid development of our commerce with the southern continent.

## PUBLIC INSTRUCTION IN PERU

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There can be little doubt that the greatest problem confronting Peru to-day is the organization and extension of public instruction.<sup>1</sup> The country is in a fair way towards settling its boundary controversies, with the possible exception of the Tacna and Arica question pending with Chile. Hence the boundaries need no longer be the central theme of discussion and agitation by the large majority of Peruvian citizens.

As a background for the discussion of the educational problem in Peru, it seems expedient to state briefly some of the obstacles which impede rapid progress to the best interests of education. In the first place, the physiography of the country merits consideration. With an area approximately one and a half million square kilometers, and a country practically divided into three, more or less, independent sections, Peru is severely handicapped in carrying on the functions of government. The coastal region extends along the western part of the Republic, in a strip averaging less than a hundred miles in width. It is generally devoid of rainfall the year round. It occupies about ten per cent of the area of the republic. The "Sierra" or mountainous region lies to the eastward, and is the seat of the plateaus and high peaks of the Andes. Roughly speaking, it occupies about twenty-five per cent of the area of the republic. The mountains are largely responsible for the climatic conditions of the country. Still farther to the east is an immense tract of land, exceedingly rich in flora and fauna. It occupies almost two-thirds of the area of the country, and, with the exception of two or three small districts, is practically unknown. Located in the upper regions of the Amazon basin, it is a land of present surprises and of great promise for the future. At present it is sparsely settled, and, indeed, inhabited in part by an uncivilized race.

<sup>1</sup>I hereby desire to acknowledge the courtesy of several persons who have so kindly supplied me with the necessary data, all of which is of an official character. I refer to Dr. Matias Leon, Ex-Minister of Instruction; Dr. H. E. Bard, Adviser to the Minister of Instruction; Dr. Justus Perez Figuerola, Director-General of Instruction; Mr. Aurelio Gamarra y Hernandez, Chief of the Bureau of Secondary and Higher Education, and Dr. Vincente Delagado, Chief Statistician of the Department of Instruction.

The second obstacle to the rapid development of a rational educational system may be considered under the social organization of the country. As in the United States, there is a great mixture of races. The main distinction in a comparison between the two countries, however, lies in the fact that in the former country the white element predominates, numerically considered, whereas in the latter, the Indian, or Cholo, element, *i. e.*, the descendants of the Incas, comes first. Most of the white, and mestizo, or mixed white and red blood, is found along the coast. It is the center of influence of the Spaniard. The other two regions are settled chiefly by the mestizo element. The negro element is also present, and is concentrated chiefly in the coastal region. Allowing for exceptions, there is naturally a difference in the intellectual capacities of these race mixtures. This difference comes out more clearly in an investigation of the location and work of secondary and higher institutions of learning, which are concentrated chiefly in the coastal region. Yet this region has only about twenty-five per cent of the three and a half million inhabitants of the country. More might be added with reference to the influence of climate, racial assimilation and the effects of Spanish colonization upon the social organization, but none of these presents insurmountable obstacles to the advancement of public instruction.

Political drawbacks also exist, and they are most in evidence in affecting the administration of the public schools of the country.

Peru has a cabinet or ministerial form of government,—as in France. The Minister of Justice, Instruction and Religion, who is one of the six Ministers of State, has charge of public instruction. Under the minister is a director-general of public instruction—a position which was created last January.<sup>2</sup> The Director-General therefore has all the administrative work of public instruction in his hands. Under him are the following chiefs at the head of their respective bureaus. These include the chief of secondary and higher education; of the personnel and general administration, an important post under the present organization; of equipment and supplies; of statistics; and archives. Aside from these bureaus under

<sup>2</sup>Previously there was a Director-General of Justice, Public Instruction and Religion, but by decree that of Public Instruction has been established separately. Legally the work of secondary and higher education was left in the hands of this Director, and primary education in the hands of another Director.

the director-general, the minister has an expert adviser in matters appertaining to educational administration. Concerning the present organization it would seem highly desirable to make the work of all of these officials free from political influence, except that of the minister. There is also a Superior Council of Education, but it has had a rather checkered career. It has been suggested that there be a separate minister for education, but there are two sides to this question.<sup>3</sup>

The constitution of Peru guarantees the existence and diffusion of primary instruction, which shall be free and obligatory.<sup>4</sup> The present law of public instruction, primary, second and higher instruction, was passed by Congress in 1901; the portion dealing with primary instruction was remodeled in December, 1905. Upon these two laws are based numerous executive decrees, amplifying the system of public instruction.

### *Primary Instruction*

Elementary education is obligatory for boys between the ages of six and fourteen, and for girls between the ages of six and twelve. Primary schools are of two classes: (1) elementary; (2) "centros

<sup>3</sup>It will be noted that Peru has been securing (for some years) from time to time from Germany, Belgium, Switzerland, and other European countries, teachers for the national colegios. The duties of these teachers have been confined entirely to teaching in these schools, or in a few instances to directing them. It was only a year ago that it was realized there was need of well-trained and experienced men in the administrative branch of education. Dr. Manuel V. Villaran, who had made a thorough study of the educational situation (*Revista Universitaria*, Año III, Vol. II, No. 23, pp. 1-21, and No. 24, pp. 105-130, Sept. and Oct., 1908), upon being called to the Cabinet with the portfolio of Justice, Instruction, and Religion, decided to engage from the States, a director general and four departmental instructors of primary instruction, and a director and number of special teachers for the national colegios and for normal instruction.

Dr. Villaran's plans were only partially carried out when a change of Cabinet brought to the department of instruction a new Minister, who did not find himself entirely in sympathy with the plans of his predecessor. Before this time, however, four of these men were on their way to Peru. They were men especially prepared, by practical experience as well as by large academic and professional training, for the work they were to do. They are now rendering important service of an administrative character, the full value of which will receive recognition only in time. Dr. H. E. Bard, who is adviser to the Minister of Instruction, had for some years before coming to Peru given special attention to the administrative sciences, and particularly to the science of educational administration. He had had valuable practical experience also in this field in the Philippine Islands. Some far-reaching reforms have already been effected through his initiative. It is expected that the work of these men will demonstrate the need of others like them, and in this way will one of Peru's greatest educational needs be met.

<sup>4</sup>Article 24. See Constitution of Latin-American Republics published by the International Union of American Republics.

escolares," or literary school centers. Kindergarten schools are also provided in two or three instances. The elementary schools take up the studies of the first two years' work of primary education. From the following curriculum it will be seen that in these two years reading, writing, arithmetic, the metric system, notions of geography and history of Peru, the Christian doctrine and physical exercises are provided. The executive decree of June 20, 1906, makes a conscious effort to provide primary education in a comprehensive way, but in practice the results have not been perfectly satisfactory. The curriculum for the five years of primary instruction follows:

<i>First Year</i>	<i>Second Year</i>	<i>Third Year</i>	<i>Fourth Year</i>	<i>Fifth Year</i>
1. Reading and writing	Reading and writing	Reading and writing	Reading and writing	Reading and writing
2. Arithmetic	Arithmetic	Composition and grammar	Composition, grammar	Composition and grammar
3. Object lesson (plants, human body, colors, seasons, with drawings of objects where possible)	Notions of geography with special reference to Peru	Arithmetic	Arithmetic, including metric system	Arithmetic
4. Christian doctrine	History of Geography, Peru	with special reference to Peru	Geography of Peru and the rest of America	Geography of eastern hemisphere
5. Games and singing	Object lessons (as in first year)	History of Peru	History of Peru	History of Peru
6.	Principal duties of man (labor, saving, electoral obligations, military service, truth, cleanliness, etc.)	Notions of Physics	Physics	Physics
7.	Games and singing	Notions of chemistry	Chemistry	Chemistry
8.		Natural history	Natural history	Natural history
9.		Notions of agriculture	Notions of agriculture	Notions of agriculture
10.		Notions of arboriculture	Notions of arboriculture and horticulture	Notions of arboriculture
11.	Manual labor, geometry and drawing	Manual training, geometry and drawing	Manual training, geometry and drawing	Manual training, geometry and drawing
12.	Music	Music	Music	Carpentry (in boys' schools)
13.	Christian doctrine	Ethics	Ethics	Music
14.	Physical training and notions of hygiene	Physical training	Physical training	Ethics
		Notions of hygiene	Notions of Physical training and hygiene	

Selecting at random one or two of the subjects provided for, we may get an idea of the breadth of the course of studies, which is not however carried out in practice under present conditions. In the fourth year, the course in chemistry presumably includes a study of the air, combustion, hydrogen and oxygen, water, chlorine, sulphur, phosphorus, carbon, notions of chemical nomenclature, acids, bases, salts. The fifth-year course in arithmetic includes mental operations, the decimal system, prime numbers, maximum and minimum divisor, proportion, metric system, weights, measures and money systems, bookkeeping, commercial documents.

Executive decrees provide for the division of the country into sixty school districts, for the purpose of primary education, although previously there were over one hundred school districts. In each of these districts is an inspector who sees that the school regulations of the central government are carried into effect. There is an exception in the case of Lima and Callao, where two inspectors are provided, one for boys' schools, the other for girls' and mixed schools.<sup>5</sup>

In the past the inspectors have not always proved efficient, visiting the schools infrequently, and knowing or caring little about the requirements of their position. Consequently, there has been a recent decree providing qualifications which may result in a better system of inspection. The new decree, however, has one serious defect in that it requires the inspector to telegraph the fact of his intended visit to the director-general in Lima and to the sub-prefect of the province which he expects to visit. By this means the school authorities may secure advance notice, and be prepared. An inspector will now be required to have (1) a degree (bachelor, or diplomas from the normal school), (2) the inspectors now in office must take an examination within ninety days to prove their competence, otherwise new inspectors are to be appointed.<sup>6</sup> Furthermore, the Minister of Public Instruction has another check on the work of the schools in the special inspectors (*visitadores*) who may be

<sup>5</sup>The latest decree is dated January 22, 1910.

<sup>6</sup>Executive decree of January 22, 1910. The previous decree provided for departmental, provincial and district inspectors. The present plan, therefore, according to the claims of its advocates, effects an economy in the number of inspectors, increases their efficiency, reduces the amount of official routine, and saves money.

appointed from time to time by the minister in order to make special investigations.

In general, at least one elementary school, giving the work of the first two years of primary instruction, must be established for every two hundred inhabitants. The departmental capital must have at least two primary schools—one for boys, the other for girls; the provincial capital must have at least one primary school even if the population should not be large enough. Public schools are established by decree.

The last annual report of the Minister of Instruction shows that the number of schools in actual operation, school year 1907, was 2,262, or about one hundred less than there should have been. Of these over ninety per cent gave instruction for the first two years of primary education only—840 were for boys, 677 were for girls, and 745 were mixed schools for boys and girls. Instruction was given to 161,660 pupils during the year, two-thirds of whom were boys, and only 5,450 of these received instruction in the upper classes of the primary school. The average daily attendance was about sixty per cent. With the pupils in private schools, less than one-fifth of a million of children were receiving primary education throughout the Republic.<sup>7</sup> This appears to be a small proportion for a population estimated at more than 3,500,000 inhabitants.<sup>8</sup>

The following table will furnish the details:—

	Receive instruction	Do not receive instruction	Could read	Could not read	Could write	Could not write
Boys ...	65,536	164,794	73,778	156,609	50,615	179,726
Girls ...	34,478	151,736	41,273	144,884	28,285	157,918
Total	100,814	316,530	115,051	301,493	78,900	337,644

A census of school children within the age limits<sup>9</sup> for the purpose of primary education was made in 1902.<sup>10</sup>

According to racial distribution there were 67,928 white children, 198,674 indigenous or native children, 144,298 mestizos and

<sup>7</sup>Annual Report of the Minister of Instruction for 1908, Vol. II, pp. 333-337.

<sup>8</sup>The last general census was taken in 1876, but doubts have been entertained about its accuracy. At that time there were 2,700,000 inhabitants. Partial censuses, etc., led to the estimate given above. The coastal region has about one-fourth of this total, the Andean region about five-eighths, and the eastern region the rest.—A. Garland, Peru in 1906 (2d edition), pp. 100-101.

<sup>9</sup>Including 75,000 from the ages of 4 to 6, i. e., children who could attend a kindergarten school.

<sup>10</sup>Censo Escolar de la Republica Peruana correspondiente al año 1902.

5,644 blacks. Unfortunately it is impossible to make comparison of this data by the three physiographic divisions, since it is given only for the twenty-one departments of the Republic. For the department of Lima, which includes the capital and a few small towns and plantations, there were 11,038 whites, 26,664 indigenous or native, 12,468 mestizos, and 2,432 blacks. In a way, therefore, Peru has its racial problem to settle, from the educational point of view, just as we have in the United States. It would seem plausible that the introduction of American teachers and American methods, from sections where the education of mixed races is prominent, should be carefully considered by the government of Peru.<sup>11</sup>

The teachers in the primary schools are women in the majority of cases. Although supposed to have a diploma, the majority of teachers are not so provided.<sup>12</sup> Thus, out of 2,944 teachers, 1,225 men, 1,719 women, two-thirds did not possess a diploma.

At present there are three normal schools—one for men and two for women. Two are located in Lima, and a comparatively smaller one for women in Arequipa. Previously there were more, but financial and other difficulties have caused the closing of the others. The act of Congress (March, 1901) provided at least three normal schools for men, and three for women. In the normal school for men the curriculum provides three years of study, which differs somewhat from that provided for the women's normal school. In the normal school for women in Lima the course of studies is as follows: First year: Spanish grammar and literature, penmanship, arithmetic, geography, history, religion, object lessons, domestic economy and hygiene, manual training, French or English, vocal music, physical exercises, attendance upon model classes in the School of Practice. Second year: general notions and anthropology and infant psychology, pedagogy, history, general hygiene, domestic economy, religion, elocution and composition, manual training, French or English, music, physical exercises, attendance upon model classes in the School of Practice. Third year: Methodology, notions of the history of education, school hygiene, domestic economy, civic education and school legislation, manual training, French or English,

<sup>11</sup>q. v. *La Educación Nacional* (órgano de la Dirección de Primera Enseñanza), May, 1904, pp. 199, 205. Last year the government of Peru sent for some American teachers and superintendents of schools. This policy should doubtless be carried out on a larger scale to attain the best results.

<sup>12</sup>Report of the Minister of Instruction (1908), Vol. II, p. 334.

music, physical exercises, daily teaching in the School of Practice, pedagogical conferences. The courses at the normal school for women in Arequipa are most limited.

The government pays all expenses of most of the pupils in the normal schools in Lima, and in exchange requires them to teach in the primary schools of the respective departments from which the students come for a certain number of years. They are guaranteed a minimum salary per month for this work.<sup>13</sup> During the school year 1907 the men's normal school had fifty-three students, the women's normal school in Lima forty-four and in Arequipa, sixty-three.<sup>14</sup> A total of about \$100,000 was expended during 1906 for salaries, equipment and other expenses, and twenty-five students were graduated. These figures fairly represent the work of preceding years.

#### *Revenue and Expenditure for Primary Education*

The Minister of Instruction has the portfolios of Justice and Religion in addition to that of Education. Consequently, the congressional appropriations for the Department of Education form only a part of the revenues and expenditures which he controls. Nevertheless, to insure at least a certain amount of revenue which would not depend entirely upon the action of Congress, a law was passed providing special sources of income. All told, the revenues for primary instruction are derived from the following sources: (a) A special tax, or mojonazgo, on alcoholic drinks and mineral water, insofar as money from this source does not furnish more than fifty per cent of the total revenue of any municipality; (b) local taxes created by special acts of Congress; (c) special funds and revenues from property; (d) thirty per cent of the departmental revenues, deducting from this the subventions assigned to secondary instruction, on the basis of the departmental appropriation of 1905; (e) five per cent of the national revenues; (f) fines imposed for infractions of the law and decrees relating to primary instruction. In 1906 these revenues amounted to \$1,150,775; in 1907 they were slightly higher; in 1908 they amounted to \$1,309,090. Owing to the economic crisis, the sum voted by Congress for 1910 has been reduced

<sup>13</sup>Decrees of April 4, 1907, and January, 1910.

<sup>14</sup>Report of the Minister of Instruction (1908), Vol. II, p. 338.

considerably, so that less than a million dollars were available this year.

### *Some Defects in the System of Primary Education*

As late as 1860, Dr. Francisco Calderon, in his excellent *Diccionario de la Legislación Peruana*, stated that the country still felt the lamentable consequences of the repressive system of education which had been provided by the Spanish government during the colonial period.<sup>15</sup> Although most of these consequences have disappeared to-day, some still remain. A temporary decree bearing on public instruction had been promulgated in 1855—the first general decree up to that time. It remained in force until 1876, although attempts had been made in the meanwhile to change it. By the latter decree, issued March 19, the system of public instruction was decentralized, especially as regards primary instruction. The departmental authorities were intrusted with secondary, the municipal councils with primary education, i. e., so far as the financial powers were concerned. The directive body was a Superior Council of Public Instruction. It soon became evident that the local authorities did not, or would not, provide suitable funds, and matters went from bad to worse. Under these circumstances Congress enacted a law in 1901 centralizing the administration to a large extent—a work which has been carried out more thoroughly by the act of 1905, for the central government was given full control of public instruction.<sup>16</sup>

The majority of the reports of the Ministers of Instruction throughout this period, aside from the question of administrative centralization, emphasize the importance of primary education. Yet almost invariably these same reports state that primary education was in a condition far from satisfactory. The complaints usually take the form of lack of money, lack of schools and equipment, dearth of suitable teachers, and the need of better salaries, and more punctual payment of teachers. Thus, in his report for 1893, the Minister of Instruction pleads for a broader basis of primary education in accordance with the Constitution, and complains of the comparatively large sum spent for secondary and higher

<sup>15</sup>Vol. II, p. 324.

<sup>16</sup>Exposición sobre el Estado de la Instrucción Pública en el Perú enviado al Congreso Pan-Americano de Chile, pp. 4-6.

education, when the majority of the children of the country did not even know how to read or write; when many of the provinces did not have teachers, nor school buildings, nor any income for the most indispensable equipment. He blamed these conditions largely upon the decentralized system of administration.<sup>17</sup> Unfortunately, the defects which existed under the decentralized system of administration have by no means disappeared. With several exceptions, they are just as glaring as before. The main defects lie in the administration itself, and the lack of sufficient funds to carry out a progressive program of reforms. The administrative machinery needs remodeling, but should undoubtedly remain centralized. The financial problem is considered very serious at present, but even here there is room for improvement in the expenditure of the money voted by Congress for schools. The State could really spend profitably five times the sum voted for this year. It would then be in a much better position to carry out the provision of the Constitution providing obligatory primary education.

This applies with added force to the education of girls by public authority. As one prominent Peruvian writer puts it: "So long as the intellectual and social level of the family is not raised, by the education of the mother, our people will forge ahead very slowly. That task, the realization of which is of national importance, belongs to man, who should make it a reality. Women cannot at one and the same time attempt the problem, propose the remedy, and bring to pass the miracle. The task belongs to man. The surest way is to multiply the centers of instruction and provide for the better education of woman."<sup>18</sup>

### *Secondary Education: Administration and Curriculum*

Secondary education is under the direction of the Minister of Instruction. Outside of Lima the prefect of the department acts for the Minister. The act of 1901 forms the ground work upon which is based the present decree relating to secondary education. Until this school year (March 1, 1910, to February 28, 1911), the

<sup>17</sup>Page xxv. Cf. also report for 1891, page xli; 1892, pp. 23, 26, 30; 1894, p. xxxv, etc.

<sup>18</sup>Elvira Gareña y García. *Tendencias de la Educación Feminina*, p. 37. This report was presented to the Pan-American Congress of 1908. Cf. also article by L. S. Rowe in report of U. S. Commissioner of Education, 1909, pp. 326, 327.

decree of March, 1904, was in force. It regulated the curriculum and gave in general outlines the subject matter to be taught in each course. Beginning with this year the following curriculum has been introduced by the decree of January 29, 1910:

<i>First Year</i>	<i>Hrs.</i>	<i>Second Year</i>	<i>Hrs.</i>	<i>Third Year</i>	<i>Hrs.</i>	<i>Fourth Year</i>	<i>Hrs.</i>
Spanish .....	4	Spanish .....	4	Spanish .....	3	Spanish literature .....	
Modern languages .....	3	Modern languages .....	3	Modern languages .....	3	Modern languages .....	
History .....	3	General history .....	3	General history .....	2	General history .....	
General geography and geography of Asia .....	2	Geography of Europe and Africa .....	2	Geography of America and Oceanica .....	2	History of Peru .....	
Arithmetic .....	5	Arithmetic .....	1	Algebra .....	2	Philosophy .....	
Zoology .....	3	Algebra .....	2	Geometry .....	2	Civics .....	
Religion .....	1	Geometry .....	2	Geology and mineralogy .....	2	Trigonometry .....	
Penmanship .....	1	Botany .....	3	Physics .....	3	Physiology and anatomy .....	
Drawing .....	2	Religion .....	1	Chemistry .....	3	Physics .....	
Music .....	1	Penmanship .....	1	Drawing .....	2	Chemistry .....	
Physical exercise .....	2	Drawing .....	2	Music .....	1	Drawing .....	
		Music .....	1	Physical exercise .....	2	Physical exercise .....	
		Physical exercise .....	2				
Total hours .....	27		27		27		27

The principal changes over the previous curriculum, and some of them are undesirable changes, include fewer hours devoted to the study of modern languages, and more hours to philosophy, which was added to the studies of the fourth year, physical exercise, and the exact sciences. Prior to 1904, secondary education was given in a six-year course. The change to four years was based in large part upon the French reforms of 1902.<sup>19</sup> Although the decrees have provided the full course of studies in secondary education, it has not always followed that each year's work has been given in full in each colegio.

Last year the government had also approved a plan of commercial education for Guadalupe Colegio, which I had the honor to formulate. It gives the student a chance to get secondary education which will put him more in harmony with his economic environment. There is great need for such education owing to the unusually large proportion of those who enter upon professional careers—law, medicine, engineering. Commercial education must occupy an exceedingly important position in the educational problem of all Latin-American countries during the next two decades. Commercial sections have already been established in several other colegios since

<sup>19</sup>Exposicion sobre el estado de la Instruccion Publica en el Peru, p. 19.

then. The plan of studies for the commercial department at Guadalupe Colegio includes the following:<sup>20</sup>

<i>First Year</i>	<i>Hrs.</i>	<i>Second Year</i>	<i>Hrs.</i>	<i>Third Year</i>	<i>Hrs.</i>	<i>Fourth Year</i>	<i>Hrs.</i>
Spanish and commercial correspondence .....	4	Spanish and commercial correspondence .....	4	Spanish literature ..	3	Spanish literature ..	2
English .....	5	English .....	4	English .....	3	English .....	3
Outlines of general history .....	4	French (or German or Quechua) .....	2	French (or other languages) continued, .....	3	Other languages (continued) .....	3
Arithmetic .....	5	Commercial arithmetic and algebra .....	4	History of Peru and neighboring countries .....	3	History of commerce and modern industrial history ..	3
Geography (physical and general) .....	4	Bookkeeping .....	3	Geometry .....	3	Commercial arithmetic .....	2
Natural history .....	4	Commercial products with chemical experiments .....	3	Bookkeeping .....	3	Chemistry .....	5
Penmanship .....	1	Penmanship .....	1	Com'l geography .....	4	Civil government .....	4
Physical exercise ..	2	Shorthand and typewriting .....	7	Physics .....	3	and notions of commercial law ..	3
		Physical exercise ..	1	Shorthand and typewriting .....	4	Political economy ..	3
<b>Total hours .....</b>	<b>29</b>				<b>29</b>	<b>Shorthand and typewriting .....</b>	<b>3</b>
							<b>27</b>

The present law on secondary education (1901) provides two types of schools—the *colegio* and the *liceo*. The work of the former can be determined by referring to the curriculum already given. The *colegio* was intended to be a stepping-stone to higher education. The *liceo* was intended to provide instruction adapted to agriculture, commercial education and mining and mechanical arts, "in order that pupils might acquire the knowledge indispensable for dedicating themselves to industries dependent on those branches of instruction." *Colegios* were to be established in places where universities were located, and in departmental capitals at the discretion of the Superior Council of Public Instruction. *Liceos*, according to the law, were to be established in provincial capitals (101 provinces in Peru) by the same Council. As yet *liceos* have not been established, nor is there any likelihood of such action taking place. The course of studies was to be formulated by the Council as the basis for an executive decree, and instruction in the *colegio* or the *liceo* was to last six years. No plan of studies could be modified during a period of five years. Yet by decree of 1904, the course of studies was cut down to four years in the *colegio*, the only institutions of secondary instruction in existence, and the amount of work per year increased. Whatever advantages may have been produced by cutting down the course to four years, this action illustrates one of the defects from which the educational work suffers. I refer to the

<sup>20</sup>Decree of January 29, 1910.

plethora of decrees introduced by rapidly changing ministers. Some of the decrees, moreover, are evidently a violation of the spirit, if not the letter, of the laws of Congress.

### *The Director and the Professors*

In each colegio and liceo the law of 1901 made provision for a director, a sub-director, a secretary, the professors, inspectors, and the office personnel. The director is supposed to have received a university degree, but this provision is not always enforced. He is expected to reside in the colegio. He is responsible for the carrying out of laws and other regulations; for the discipline of the school; for the work of the employees; for the proper accounting of the revenues of the school; for the calling of faculty meetings; and for the annual report showing certain details with reference to matriculation and examination of students, equipment, etc. The sub-director has to do more directly with discipline, and aids the director. He is also expected to live in the school building if there are any students boarding at the institution.

The professors are classed as full professors and assistant (*adjunto*) professors. The former may hold their position for ten years as a result of a competitive examination—a position which may be made permanent if the professor has written a meritorious scientific work within this limit. The Superior Council of Public Instruction decides on the merits of the case. Less than a dozen positions of this type exist to-day, in a total teaching staff for all national colegios of more than 400. The appointment of professors is by the Director, or by the government directly—depending on the subjects to be taught. Salaries are by no means uniform in the colegio. Moreover, many professors simply teach part of the time in a national colegio and devote the rest of their time in private colegios or engage in other work. Complaints have been made on this score, as well as regards the salary, which may be said to average about five dollars per month for one hour of instruction per week. The *adjunto* professors simply replace the regular professors in case of absence of the latter.

Quite a number of foreign teachers, chiefly German, Belgium and Swiss, have been teaching in the national colegios during the last three or four decades. It must be added, however, that they are

by no means looked upon with favor by the native teachers. The professor is aided by inspectors in maintaining discipline in the class-room. This system of discipline has its counterpart in few educational codes of other countries; it certainly does not offer any real advantages.

### *Students in Secondary Institutions*

The school age of pupils attending the colegios is presumably from thirteen to seventeen. The former decree required the pupils to have completed the twelfth year, but in practice this has not always been insisted upon. The new decree requires pupils of the first year to be between the ages of twelve and fifteen. Admission to the colegio may be by examination, or upon satisfactory completion of primary instruction. The latter method prevails almost entirely.

There were twenty-eight national colegios in Peru in 1908 with a total of 3,289 pupils. The largest and most important by far is Guadalupe Colegio, in Lima, with over five hundred pupils. In fact this colegio serves as the model for the others, and has a building costing all told about half a million dollars. In 1904 there were twenty-three colegios with a total of 2,041 pupils. Only three of the national colegios are for girls, with a total of about 200 pupils. These three colegios are located in Cuzco, Ayacucho and Trujillo. Supplementing the national colegios are the private colegios, located chiefly in Cuzco and Lima, and directed by the church, or as business ventures. These private colegios numbered thirty-four in 1908, of which twenty were for boys, and fourteen for girls. The number of boys who attended totaled 1,016, of girls, 275.

The law provides that pupils may board in the colegio. The maximum number of such pupils is determined by the Superior Council of Public Instruction, according to the law, but not in practice. Many pupils, both in national and private colegios, take advantage of this provision of the law.

The expense of a pupil in Guadalupe Colegio may be taken as representative. The charges here include the following: Matriculation fee, \$1; for annual examinations, \$2; tuition, \$20 per year, for pupils in the primary grades which happen to be given in this colegio, and for the first two years of secondary instruction, and \$30 for the

last two years of secondary instruction; board and lodging for the year, \$105; fees for the use of equipment, \$3; although third- and fourth-year students pay \$2.50 additional for the use of the laboratories. Laundry charges, for those who care to avail themselves of the opportunity amount to \$1.50 per month. In 1909 Guadalupe Colegio provided board and lodging for 175 pupils, and in addition board for over 200 additional pupils. This year the number was almost doubled, owing to extensions and improvement to the building still under way.

Practically each department gives scholarships to a limited number of pupils, many of whom are sent to Guadalupe Colegio. Such a scholarship provides all tuition and living expenses.

The students are not accustomed, as a general rule, to do much, if any, school work at home. School hours are from 8 to 11 in the morning, and 1 to 5 in the afternoon, six days per week. As the curriculum provides less than thirty hours of class-room work, the other hours are utilized for study, physical training and military drill. Irregularity of attendance on the part of pupils, and even of professors, is one of the marked defects of administration which merits rigorous corrective measures.

### *Examinations and Prizes*

Mention must be made of the system of prizes existing in all branches of education—public as well as private. Medals, books and other useful objects are distributed for the meritorious at the close of the school year. The annual exercises correspond to our high school commencement, only here the exercises come at the close of the year. The prefect of the department, or in Lima, the Minister of Instruction, and perhaps even the President, and other school authorities, attend the exercises at the national colegio.

The system of examinations is worthy of special attention. At the close of each of the four years there is an examination in each subject in the official program of studies. The term work counts one-third of the general average. The written examination, usually lasting less than one hour, counts, one-third; and the oral examination, usually five to ten minutes for each pupil, the other third. For national colegios, special examining boards of three members each are appointed by the Director. The professor of the class

acts as president of the board. For private colegios whose pupils desire to present themselves for the examination in accordance with the official program, three special examining boards are appointed by the government. For Lima, they are appointed by the Minister; for the departments by the prefects. These boards examine in letters, sciences, and languages respectively. It was my privilege to act as president of the last mentioned board for Lima during 1909. The examining boards for private colegios receive a fee for every student who is examined, regardless of whether he presents himself, or whether he passes the examination. For national colegios one copy of the marks is sent to the Minister of Instruction; for private colegios one is sent to the Minister, one is left in the colegio itself, and the third is sent to the national colegio of the department in which the private colegio is located. The examining boards for private colegios are also required to prepare a report for the Minister relative to the pedagogical conditions existing in each colegio which has been visited. This board can only examine in the colegios which have previously sent to the Minister a request for such examination, including in this request the list of students who are to be examined. Practically all private colegios do this. A method of examination somewhat similar prevails in the universities. The system is not only cumbersome and time-consuming but in the public schools at least it is subject to log-rolling methods. Moreover, the actual examinations—oral and written—need modification. Even more serious defects might be noted as regards the examinations for private colegios. A competent national examining board, or perhaps even several departmental boards, should provide uniform examinations based on the official curriculum.

#### *Income and Expenditures*

The income of national colegios consists (1) of the sum voted by Congress; (2) any sum voted by the department; (3) special income assigned to a colegio; (4) fees of students; (5) rent from property owned by the school—usually insignificant. The budget of each colegio is made up toward the close of the school year by an Economic Council. This council consists of the Director, the treasurer, a professor of the colegio and two fathers whose sons are attending the school. The council meets several times during the

year to consider financial matters of the colegio, and towards this end it is generally convened by the Director.

For the twenty-eight colegios in 1908, the total income amounted to \$310,000, about twenty-five per cent of which came from tuition fees. It was spent in large part for salaries. A smaller sum was spent for maintenance of the school buildings, equipment, and supplies. On the whole there should be more money appropriated for secondary education, although it should at the same time constitute a smaller proportion of the total spent on public instruction than is the case at present. The objects towards which this increase could be devoted advantageously include: (1) adequate buildings and equipment; (2) pay of professors; (3) extension of commercial education in various national colegios.

There is need for greater elasticity in the courses open to students in the colegio. The law of 1901, in providing the liceos, sought to attain this end. The financial condition of the country, however, does not justify separate schools. Separate departments within the colegio should be provided along the lines of the organization in our high schools.

The establishment of a commercial department in the leading colegio of the country is a step in the right direction. After the adoption of a well-considered plan providing separate departments for the colegio, the government should make an earnest effort to encourage a larger proportion of the students to attend the national colegios than is the case at present. As it is, the national colegio is superior to the private colegio from almost every point of view and yet for one reason or another about forty per cent of the total number of students are attending private colegios. It is a fact of some significance that there is no national colegio for girls in Lima, and that there are only three in the country.

### *Higher Education*

The universities of Peru include the University of St. Mark in Lima, founded 1571 by Pius X and royal decree of Philip II, and the "minor" universities of Cuzco, Arequipa and Trujillo. These were established in 1692, 1835 and 1824 respectively. The university of Cuzco was closed temporarily last year owing to certain irregularities. The occasion gave rise to a sharp discussion at the

recent regular session of Congress, and the executive was given power to provide for the reorganization of the university. It will probably be a matter of two or three years when Congress will revise the law affecting higher education.

The University of St. Mark has six faculties—*theology, jurisprudence, medicine, natural and mathematical sciences, letters, and political and administrative sciences*. The University of Cuzco has faculties of *jurisprudence, letters, political and administrative sciences, and a "section" or partial faculty of natural science*. The other two have these same faculties with the exception of the last mentioned.

University instruction is controlled by the state, but there is more autonomy in higher education than in secondary or primary instruction. The administration of each university is under the immediate jurisdiction of a University Council. Its duties are similar in nature to those of the board of trustees in our large private universities. For Lima, it consists of the rector, the vice-rector, the secretary, the deans of the various faculties and another delegate from each faculty. The delegates are elected by the professors of the respective faculties. In the other universities the Council includes all of the professors. The Council administers the property of the university, approves the annual budget, authorizes special expenditure, provides for auditing of accounts, acts upon the proposals of the rector for the better administration of the institution; formulates the by-laws, creates or changes courses and professorships, proposes to the Superior Council of Public Instruction changes deemed essential in granting university degrees—*bachelor or doctor*.

The rector of the university must have a doctor's degree, and although appointed as a rule for four years, may succeed himself. He and the vice-rector are normally elected by the University Council, except the University of St. Mark, where only the deans of the faculties make the selection. The rector is responsible for the administration and progress of the university, and acts as the intermediary in communication with the Minister of Education. Each faculty elects its own dean and sub-dean, formulates its budget which it submits later to the University Council, examines candidates for degrees, approves the outline of studies for each course, authorizes payment by the dean of sums exceeding \$50, and makes suggestions with reference to the curriculum. There are two grades of

professors, *viz.*, principal or active professors, and adjunct professors who replace the former in case of leave of absence. The latter receive a salary only during the time that they teach. The active professors are of two classes, and include those who are named ad interim and those who secure the position through competitive examination. They must have the doctor's degree. As a rule they have less than ten hours of actual teaching per week; moreover, they are almost invariably engaged in other lines of activity outside of university circles. The courses within a given faculty are usually arranged in groups, and the professor must teach all the subjects within a given group. No professor is permitted to give courses in more than two of these groups. At the University of Arequipa, for example, one group includes courses on diplomacy, private international law, and history of the treaties of Peru. The law of 1901 provides the courses which are to be given; the arrangement in groups is left to administrative authority.

Students can matriculate in the University upon graduating from the *colegio*.

To secure a degree in the faculty of theology requires six years of study; in jurisprudence, five years; medicine, seven years; sciences, letters, or political and administrative sciences, three years. These are required for both degrees, *viz.*, bachelor and doctor. A student is permitted to register in several faculties, under certain restrictions. In order to matriculate in the faculties of jurisprudence and political sciences a student must have completed two years in the faculty of letters. For example, he may matriculate in the faculty of political and administrative sciences, as a regular student, and also in the faculty of letters to pursue special or regular advanced courses.<sup>21</sup>

With the exception of the University of St. Mark, the universities have little property of their own from which they may secure revenue. Hence most of their income comes from the state subventions. In 1908 the income for all four universities amounted only to a third of a million dollars. Of this total, matriculation fees furnished sixteen per cent of the total income of the University of St. Mark; fifteen per cent in the University of Arequipa; twenty-five per cent in the University of Cuzco; and thirty per cent in the Uni-

<sup>21</sup>Annual Report, Minister of Education, 1908.

versity of Trujillo. In other words, about one-fifth of the total income comes from tuition fees.

Besides the four universities, there are three other national institutions of superior instruction, viz., the Engineering School, the Agricultural College, and the School of Industrial Arts—all located in Lima. The first of these institutions has the following departments: (a) preparatory section requiring two years, with emphasis on natural and mathematical sciences; (b) department of civil engineering, 3 years; (c) of mining engineering, 3 years; (d) of mechanical engineering, 3 years; (e) of electrical engineering, 1 year.

The Agricultural and Veterinary College also has a preparatory section of one year, with special emphasis on natural sciences. The regular work of the Agricultural College requires three more years of study. In addition to these studies, there is a special Grange School giving a two-years' course along specialized lines.

The School of Industrial Arts, as in the case of the former two institutions, also has a preparatory section, with the view to reviewing the work of the primary education. Hence, in reality, this school cannot properly be classed as an institution of superior education. After the preparatory work, specialized work is given along lines of manual training and industrial arts.

Space will not permit a review of the various problems which need attention in a revision of the educational system of the country. Some of the defects have been mentioned in the article, but what is especially needed is a change in the administrative machinery under a new law of Congress which shall re-organize the work of public instruction on a permanent basis. The country is ready for this change, and a special commission established by supreme decree last April will present a project to Congress. It is certain that it will contain radical changes, but it is not so certain that Congress will accept these.

## THE MONETARY SYSTEM OF CHILE

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The period of paper money as legal tender through which the country is passing at present dates from 1898. (Law of July 31, 1898.) Metallic circulation was re-established in 1895 (Law of February 11, 1895), and lasted only until 1898. This law of 1895 established in Chile the monetary régime of gold, the dollar of 0.59/9103 grams (or 18d) being the monetary unit. With this law passed away the old bimetallism of colonial origin. The monetary system of to-day is thus nominally that of the gold standard established by the law of 1895, but superseded by paper money as legal tender. The monetary unit, therefore, is the paper money dollar, whose nominal value (at par) is eighteen pence, but whose real value in the markets of international exchange is very different. After these general explanations about the national monetary system, we may pass to a rapid survey of the more important economic characteristics of the legal tender in this last period—that is since 1898.

### I. *The First Issue of Paper Money in 1898*

The régime of gold had been established in 1895 in the midst of a panic characterized by an increase of interest on money, the stagnation of business, failures and disastrous liquidations, the failure of many banking institutions, the decrease of the prices of town and suburban properties, of bonds and stocks, etc. The change of the monetary system also aggravated the crisis.<sup>1</sup> Strained conditions in our international relations, especially with the Argentine Republic, which caused great alarm, came coincidently with this critical situation of the economic state. The danger of war became more imminent each day, and tended to aggravate the economic situation, since the public was convinced that the declaration of war would also mean the declaration of a legal tender. The persistency

<sup>1</sup> "The Paper Money in Chile," by Dr. William Subercaseaux, Santiago, 1898. Similar account in "Le Marché Finance of 1898," by M. Raffalovich, Paris, 1899.

of the government in maintaining this reform withstood all outside pressure until June, 1898, at which time the danger of international conflict reached its culmination. The rumor began to spread in Santiago that the government was preparing to return to a legal tender basis, and, as a consequence, the bank depositors began to withdraw their deposits in order to save their gold. They did not try to exchange bank notes for gold, since there were no bank notes in circulation. Soon this movement spread and caused a run on the Santiago banks, which in less than two days placed these institutions of credit in a most precarious condition.

This panic was confined to the capital of the republic; in Valparaiso and in other cities the position of the banks was not affected. The banks of the capital finding themselves unable to pay their depositors, and the panic threatening to spread throughout the republic, the government authorized these banks to close their doors. Following this a general extension was ordered for thirty days, during which period Congress should determine measures to meet the situation. After a lively discussion Congress decided upon the issuance of \$50,000,000 of legal tender notes. Thus, through the cause of the fall of the metallic standard, its replacement by paper money was made necessary in order to save the banks from an accidental run. It was not possible to think of importing gold from abroad in order to weather the storm of the panic; for the nearest available hoard of gold was in Buenos Ayres, which, since the range of the mountains was closed, was fifteen days distant. If the legal tender had not been restored the metallic circulation would have continued, but the principal banking institutions of the country would have failed.

The state of distrust prevailing during this hazardous stage of the internal crisis and international dangers created, upon the appearance of the legal tender, high premiums on gold. Before the factors appeared which resulted in the panic, every premium paid in order to acquire metal of international exchange seemed justified. In that way the principal fluctuations of the previous period were produced, as can be seen in the appended tables. It was the moral effect of an unfavorable impression concerning the monetary future, either because of international dangers or because of the small amount of confidence with which the legal tender note issue was received, that caused the premiums on gold. The greatest

increase in the premium of gold was produced in January, 1899, in consequence of a bill introduced into the Senate for the purpose of increasing the legal tender issue, which failed to become a law because of the opposition of the government. These wide fluctuations, caused by the uncertainty and distrust of the times, show the instability in such periods of the value of paper money in relation to gold.

The international difficulties which had so greatly influenced this situation were definitely settled during the month of May, 1902. The return of confidence is clearly shown in international exchange,<sup>2</sup> for the gold premium steadily decreased from that time. The crisis existing at the beginning of the legal tender period in 1898 began to abate in a short time, and then slowly and gradually subsided. Beginning with 1902, the movement toward a re-establishment of credit indicates the beginning of the new period of prosperity. And here, apropos of the great fluctuation of exchange in the first part of this period of legal tender, we may call attention to the distinction already made, with great truth by some of the paper money theorists,<sup>3</sup> to the effect that the value of paper money as an instrument of internal monetary circulation of a country must not be confused with the premium on gold, that is, with the standard of international exchange. It is true that between both phenomena there are important relations that I cannot mention here, but it is also true that there is a distinction. It may happen that a great depreciation of the paper relative to gold might come as a consequence of heavy demands for gold or bills of exchange, and yet the value of the paper as a national monetary unit for transaction of domestic business, not related to foreign trade, might not suffer an equal depreciation; in other words, the prices of the merchandise not imported and other domestic wealth might not increase. In that way during the first period extending from 1898 to 1902, the great increases in the premium on gold are not followed by proportionate increases, either of salaries, prices of town or suburban properties in the rentals of leases or of the prices of domestic products. As we shall see the depreciation of the dollar as reflected by a general increase of the prices resulted later.

<sup>2</sup> See table of premiums on gold.

<sup>3</sup> Adolf Wagner, "Die russische Papierwährung." C. Ferraris, "Moneta & curso forzoso." Milan, 1879. Lexis, Conrad's "Handwörterbuch."

We must observe, however, apropos of what has been said, that the influences which the premium on gold or standard of international exchange exercise in a country with paper money, depend to a large extent on the economic relations of this country with foreign countries. In Chile, as a consequence of the necessity of importing from foreign countries a large part of the products necessary for life—such as clothing and the different manufactures of silk, linens and wool—the depreciation of paper money relative to gold has a greater influence in the general monetary valuation than it would have in the case of products of prime necessity by itself. In the case of necessities of life, wide fluctuations of exchange are felt very directly amongst ourselves when they last for a fairly long period.

## II. *The Period of Prosperity that Followed the Panic*

The economic crisis that made its painful ravages felt with such force from the years of 1894 until 1901 had been subsiding little by little, like the gradual healing of wounds. The premium on gold was disappearing rapidly\* as the probability of peace with the Argentine Republic approached nearer and nearer to certainty. In January, 1901, it had fallen to 2.6 per cent, but it again increased until in the first months of 1902, when the condition of our international relations again inspired distrust, it had passed thirty per cent. Beginning in May of that year, the dispute over the boundaries with a neighboring republic having been definitely settled, the premium on gold began to decrease once more.

When the legal tender currency was increased in 1898 the law directed that the customs duties on imports should continue to be paid in gold coin. The state changed the gold thus received for legal tender paper money, and in this manner a small quantity of gold which remained without monetary employment on account of the legal tender of the paper money was kept in circulation in the country. This was a measure which had no solid justification since the government did not need the gold collected in its custom house to make its payments abroad. Moreover, this measure, which took away from the paper money its financial support, tended all the more to depreciate it.

The greater part of the gold existing as circulating medium in

\* See appended table.

1898 was exported to foreign countries, contributing in this manner to create a balance of trade with foreign countries favorable to this country. The Argentine conflict once terminated, the financial situation which was produced was not considered dangerous; the premium on the gold continually diminished toward the end of 1904.

At the same time that the financial position of the legal tender notes was being adjusted in such a satisfactory manner, the settlement of the crisis was turned day by day into a period of economic reaction. In place of the desperate depression of former years, signs of activity were now noticed and new fields of wealth and production opened to the country a larger route to progress. In the barren regions of the north important nitrate deposits were discovered, such as those of Antofagasta, Taltal and Aguas Blancas, which invited domestic and foreign capital and led to the formation of new companies for the exploitation of the nitrate beds. In the southern regions, and especially in the lands of Magallanes, the sheep-raising industry produced magnificent results, demonstrating the great value of fields almost wholly unused up to that time. This reaction continued until the end of the year of 1904, when a period of bourse speculation was introduced into the modest economic life of this country. Gold had a premium of less than seven per cent, and the financial condition being stringent, it being felt that the development of business would not adjust itself to the inelastic "\$50,000,000 legal tender plan," which constituted the only circulating medium since 1898, a movement for improving the situation was at once inaugurated, and Congress and the executive department decided to take up the matter. The banks complained of the decrease in their deposits, and it was noticed that the new impulse given to business required an increase of currency. How could this problem be solved? The creation of a convertible fund, a device tried with success in the Argentine Republic, was proposed by some; that is to say, a fund for the purpose of issuing notes in exchange for gold at par and of refunding gold in exchange for notes when the latter should be solicited. Others advocated an increase of legal tender notes. The latter idea triumphed and the government itself presented to Congress a project for their issuance, from which resulted the law of December 29, 1904, which author-

ized \$30,000,000 in fiscal notes, which in addition to those of the former issue made the total of circulating notes \$80,000,000.

This was without doubt an unfortunate solution of the agitation resulting from the financial stringency. Exchange was almost at par and the same financial limitation that was felt in the middle of that reaction, so favorable to economic life, would have brought as a consequence the easy operation of the convertible fund, and in this way the circulating medium would have received that elasticity which the legal tender lacks. Only in the presence of a certain necessity for circulation and with exchange at par, does a very favorable occasion present itself to sell paper at a par with gold. In 1904 the situation was such that without an increase in the issue, even if the convertible fund had not been created, gold would have been circulating at par with the notes, thus completing the circulating medium that was beginning to be too inelastic for the new situation.

The procedure of increasing the note issues on one side and, on the other, of depositing in the banks the sums issued, had the effect of lighting the fire of stock speculation. In contrast to the quiet and consistent course along which the settlement of the old crisis had been going up to the present time, the increase in the note issues and the fiscal deposits in the banks lent wings to the violent speculative movement which ushered in the new period of prosperity and progress. In "El Ferrocarril" of December 2, 1904, I wrote the following in regard to this question: "It cannot be denied that that was a very favorable occasion for the re-establishment of exchange at par without injuring debtors or creditors. But we must not deceive ourselves. This method that so clearly presented itself six months ago to-day meets new obstacles, which have since intervened,—and it is hard to admit it—in consequence of the project of Minister Sr. Ibanez.<sup>5</sup> In truth this project was the starting of the real metamorphosis in the turn of business; it was the falling of a curtain separating two acts in the economic life of the country. Although the past crisis had disappeared, the raven and other birds of prey were still flying over their camp of spoliation, but a more promising outlook was now clearly perceived. The nitrate business promised a magnificent future and in Magallanes a new field of production had opened up.

<sup>5</sup> Project of issue.

"The reaction commenced gradually but on a quite solid basis. The appearance of the scheme of the government came to hurry the evolution and to convert it into an unbridled speculation. A few years ago, in 1894, the financial policy of the country went to the other extreme; in the midst of a very grave economic crisis and of international difficulties the monetary conversion was effected, producing a high valuation of coin and all the consequent effects of restriction. To-day, in 1904, in the midst of one of the most flourishing movements of prosperity that the country could have, the issue is increased, the government thus contributing in a most efficient way to separate us from the free circulation at par of outstanding notes." In the same article mentioned above, I said the following: "All this comes not from the fact that the paper is in itself a detestable instrument of circulation but from the detestable use that is made of the paper money."

With this policy of increasing the issue, one of the most favorable occasions that could present itself in order to regularize a circulation of our paper money at par was lost, and it contributed to favor the exchange of paper money for coin in its most dangerous form, upsetting the true movement of prosperity that was moving along on a most solid, though less violent basis. During the month of May, 1905, after the speculative fever had reached its height, following the most unheard-of development and abuse of credit, a sort of panic made itself felt, which resulted in the failure of many speculators. The banks restricted credit and speculation was thus paralyzed. It became impossible to form new companies, and many of those already formed commenced to fail. Exchange quotations fell sharply.

The reaction continued in this manner for a few months, but soon new symptoms of improvement were noticed. It is true that on the one hand the speculative fever and the abuse of credit were able to bring very grave consequences to the general condition of business, but it is also true that there was actual and effective wealth in many of the newly formed enterprises, and this wealth manifested itself sufficiently to prevent the appearance of a new crisis. The evidences of revival continued and new companies were created, whose securities underwent an increase in value similar to that of the older securities.

At the end of April, 1906, the banks again began to complain

of the lack of currency. A decrease in deposits was noticed which began to alarm some of our strongest banks. The rumor spread that the banks would even have to close their doors if the issue were not increased. The notes on deposit in all the banks as appears in a report of the Minister of Finance were:

January 31, 1906 .....	\$34,335,219.06
February 28, 1906 .....	25,735,428.01
May 31, 1906 .....	22,228,408.22

In the month of April the decrease was much larger.

Some again suggested at this time the establishment of convertible funds, with the power of issuing notes against gold, and the government respectfully presented the plan of a law; but as the gold was now at a greater premium, the normal operation of a scheme for supplying the market with the cash that it lacked was not so easily attainable.

Comparing the situation in 1906 with the one that existed in 1904, we find that in 1906 the speculative fever and the abuse of credit had not gone so far, so that it was much easier to adopt a monetary financial policy of resistance to the increase of the issues because no interests were bound to the depreciation.

This policy would have then, in 1904, tended to impede the development of speculation, which afterwards took a most violent character.

By 1906 circumstances tended unfavorably to the scheme of the convertible fund as a solution of the problem of financial stringency. Besides the depreciation of the notes, which hindered the normal operation of deposits—a new factor presented itself which required an increase in the issues—that created by the unheard-of development given to credit and speculation. To this new situation many interests were related.

Congress after a lively discussion in April, 1906, approved a law for the increase of \$40,000,000 of legal tender fiscal notes. This law, as the preceding ones, also provided for the accumulation of a convertible gold fund in European and American banks as a guarantee for the paper money. Together with the former issues the total quantity of notes had now reached the sum of \$120,000,000. Following are some quotations of the fluctuations of prices in the bourse of Santiago:

Name of Compan	Quotations in						
	Jan., 1901	Jan., 1902	Jan., 1903	Jan., 1904	Dec., 1904	Feb., 1905	Feb., 1906
Bank of Chile .....	112	113	135	156	172	182	202
Saltpetre of Antofagasta ....	106	190	197	225	334	445	6
Sugar refinery, Vina del Mar	113	135	131	127	202	257	6
Commercial exchange .....	...	...	...	3,500	3,500	10,000	20,000
Grazing and farming, Chile-							
Argentine .....	...	...	...	...	...	48	140
							155

In these quotations we refer to a few stocks of very important enterprises. The stock quotations register in this period hundreds of security issues formed over night by speculation.

TABLE OF BANKING MOVEMENTS COMPILED FROM FIGURES FURNISHED BY THE CENTRAL OFFICE OF STATISTICS.

Year ending Dec. 31.	Capital paid.	Fund in reserve.	Deposits.	Advances in money, values, etc.
1901 <sup>7</sup> .....	42,120,007	4,428,563	94,567,415	106,700,359
1902 .....	53,360,110	5,124,603	141,342,115	173,101,964
1903 .....	54,739,690	5,368,264	136,285,501	162,860,516
1904 .....	65,352,047 <sup>8</sup>	8,619,629	171,085,232	201,691,651
1905 <sup>9</sup> .....	76,047,683	11,134,450	294,107,369	296,964,488

It is well to observe that it is not the entire amount of these security issues showing the formation of new corporations which represents new capital, for often corporations were formed on the basis of existing enterprises that belonged to individual owners or companies, and the corporations which increased their capital are also included in these figures. Thus a mining company that was established in 1900 with \$1,500,000 capital, was bought up in 1905 by another corporation having \$6,000,000 capital, with only the expense of \$1,500,000 more capital. Other corporations only collected part of their capital, but appeared to be authorized to act on the basis of their total. At any rate the table is indicative of the speculative movement and the stock fever.

<sup>6</sup> There was an alteration of their stock in these companies.

<sup>7</sup> In this balance the foreign banks are not represented.

<sup>8</sup> In these figures the funds of future dividends of stockholders are included.

<sup>9</sup> The data for this year are taken from the chart of the Secretary of Treasury.

TABLE OF VARIOUS CORPORATIONS APPROVED BY THE GOVERNMENT.

Year.	Mines and Metallurgy.	Farming and Grazing.		Insurance Companies.	Transport Companies.	Various other Enterprises.	Total Capital.
		£	\$	£	\$	£	\$
1900. . .	205,000	1,810,000	.....	18,730,000	.....	2,097,500	25,000
1901. . .	400,000	3,453,250	.....	10,350,000	.....	360,000	75,000
1902. . .	40,000	3,677,500	.....	600,000	200,000	.....	.....
1903. . .	.....	6,700,000	.....	6,083,000	4,000,000	500,000	3,136,000
1904. . .	815,000	9,153,000	180,000	16,755,000	26,155,000	520,000	6,015,000
1905. . .	4,272,240	21,010,000	690,000	52,900,000	15,000,000	125,000	1,029,000
						654,000	23,370,000
						5,741,240	113,309,000

This table shows the foreign commerce.<sup>10</sup>

Year.	Imports.	Exports.
1901	\$139,300,766	\$171,844,976
1902	132,428,204	185,879,965
1903	142,470,509	194,279,672
1904	157,152,080	215,997,784
1905	188,596,418	265,209,192
1906	225,265,516	271,448,216

To resume, it may be said that never had Chile, in its different periods of economic prosperity, passed through one that could equal the period that included those years. By coincidence, many facts tending to maintain this movement were united; the good condition of the price of salt, the rise in the price of copper, of tin and also of wool; the splendid markets that the new salt and mining enterprises gave to agriculture and national industries, etc. The prosperous and flourishing condition of business in North America and Europe, which notably contributed to maintain and assist the enterprises that were formed with the easy access to credit and capital, and even to promote these enterprises abroad.

To all these facts was added the policy of increasing the note issues, and the deposit of fiscal funds in the banks, which tended to encourage speculation, responsible later for so many failures.

The increase in prosperity continued in this manner until August 16, 1906, when the earthquake of Valparaiso occurred, giving a terrible blow to the economic vitality of the country and causing enormous damage over a large territory.

The earthquake was the first event that came to interrupt the advance in prosperity, though it is true that neither its effects upon the exchange rate nor upon the quotations of securities upon the bourse were felt at once with any great intensity. The premium of gold, which was around twenty-eight per cent before the earthquake did not exceed thirty-two per cent until two months later.

### III. *The Period of Prosperity Gives Way to One of Panic*

Symptoms of difficulties in economic conditions were felt as early as the end of 1906 in the principal centers of the great business activity of previous years. Valparaiso and Santiago were

<sup>10</sup> The commerce of the province of Tucana and the territories of Magallanes are not included.

the markets where most of the big business enterprises centered and also where the grave consequences of the forthcoming economic difficulties were felt with the greatest violence.

People again began to talk about monetary stringency, business no longer found the former facilities, stock quotations on the bourse began to fall and the sales of stock and bonds met with greater and greater obstacles.

The development of the nitrate business was made very difficult through the steps taken by the government against the incorporation of most of the new enterprises, which served as the basis of the dealings in securities during the period of prosperity, and which were the principal nucleus of those nitrate works which belonged to citizens of the country. The nitrate industry of Chile, the exportation of which exceeds the amount of two hundred millions per year, is the basis of public and national wealth.

In 1907 the economic difficulties increased, always being localized, as heretofore, in the centers of Santiago and Valparaiso, where the difficulties were felt with the greatest intensity. In the remainder of the country the agricultural situation was prosperous and the condition of the nitrate industry was also satisfactory. Copper brought the enormous price of one hundred pounds sterling per ton. In a word the staples of production did not cause any anxiety. The difficulties had their beginning in the lack of capital to form and develop the unlimited number of enterprises which had been created in such a short space of time. It is doubtless true that the foundations of domestic capital were insufficient when compared with the size of the investments. The moment had arrived in which the great funds of capital, to which many had unconsciously contributed, had to be disbursed; the first dividends had been paid without difficulty, but now it was very hard to accumulate enough money for a like purpose. Many business enterprises without a solid foundation, some of those that started at the height of the investment fever, were already dead, and nobody thought of attempting to resuscitate them. They had, nevertheless, left behind the consequences resulting from the loss of great capital and large credits which had been granted them. It was understood that many of the vain hopes entertained about certain enterprises were doomed to destruction, but it was thought that the bases of those left were sufficiently strong to sustain economic prosperity.

In this year of 1907, while Minister of Finance, when the debate on the economic situation was opened in Congress, I said at the session of June 20: "We undertook to build up larger enterprises than domestic capital could support. But as this is not the moment to study what we have done in the past, we must consider only the method by which we may remedy the evil, because together with many enterprises which were formed without any basis whatsoever there are others which rest on a solid foundation, capable of contributing to our national prosperity."

I referred primarily to the nitrate industry in which many millions were invested and in which were felt difficulties due to lack of funds to finish and complete the new and valuable installations created.

There were at this time two dominant opinions among those interested in economic questions. A few considered that the government ought not to intervene in the matter, leaving everything to the initiative of the individuals, and this had been also the opinion of my predecessor in the ministry; the greater part, partisans of governmental intervention, again maintained that it was necessary to increase the note issue. I did not belong to either of these parties, but thought the government could lend its very valuable aid to the amelioration of the economic situation and ought to interest itself in so doing; I did not believe, however, that the government ought to have recourse to a new note issue. I indicated at the time the only remedy which would readjust business. Since the malady consisted in the lack of capital, it was necessary to provide it, and I proposed to bring back to the country the conversion funds which were being accumulated in European banks at three per cent interest, thinking it would be best to buy with them short-term national bonds, including nitrate bonds, as is done with the "debentures" in London.

It was impossible to think of conversion, because the paper peso was greatly depreciated; on that account it was necessary to wait for a better opportunity to re-establish exchange at par. Nothing would be lost, therefore, if these funds were invested in bonds. In order not to withdraw these funds from the object for which they were intended, gold bonds would be created, that is to say, debts which the nitrate operators or the farmers would have to make payable in gold and the products of which in interest and

amortization would accumulate in gold, thus re-establishing the fund for the conversion.

The short term nitrate paper bond, say from eight to ten years, for example, lent itself very well to this operation, and as the product of these industries is for exportation it was convenient for those promoting such a business to make their debts payable in gold. To summarize, I thought that the only way to soften the effects of the crisis which presented itself in such alarming aspects was to secure capital for the development of the national enterprises which needed it. As the government had at the time a good sum of money inactive in foreign banks (more than 70,000,000 gold pesos worth 18d.) the intervention of the government could have resolved itself to the restoration of these funds to the country as long as the crisis lasted. If this were not done, the only alternative was that of a loan, but it was more economical to use the funds which were placed abroad at an interest of three per cent for this purpose leaving the question of a loan for the time in which the paper should be exchanged for gold money.

To this way of settling the affair, the opinions of many leading men were opposed. It was generally considered that it was better to increase the issue of paper money guaranteed with gold in Europe instead of touching this conversion fund, and, with this object in view, those that called themselves enemies of paper issues proposed to contract a loan abroad, to increase with it the conversion fund deposited in Europe, and to issue here in the country the corresponding paper notes.

Which was the way that would have carried us easier to the *desideratum* of arriving at a currency of paper money at par with gold, the increasing of a conversion fund, increasing at the same time issues of legal tender, or the avoiding of new issues by placing at a certain rate of interest in the country the funds set aside for the conversion? It is clear that the second way would more nearly avoid a still greater depreciation of the legal tender note, and this is the only way in which we could have carried the currency at par. Our notes were not then depreciated because our government had not funds enough to attend to their conversion. The government had sufficient means to establish either the exchange at any time, or a bank for conversion, like that of the Argentine Republic; but the low international exchange or the high premium of gold was

opposed to this. In other words, the currency at par of the legal bill could not be re-established, because it would have produced an economic panic by thus raising suddenly the monetary unit; but on no account was this due to a lack of funds. Each increase in the premium on gold was a new obstacle to a re-establishment of the normal currency of the legal tender note at par with gold and it was useless to have government funds ready for the conversion if further depreciation of these notes was inevitably coming to prevent such a conversion.

International exchange was already as low as twelve pence per peso, the value at par being eighteen pence, and it was seen that it would still decrease in value, and it can be seen that any new issue, even if guaranteed by gold deposits, made more and more unlikely the prospect of securing in the near future a currency with a rate of par between the peso note and the gold peso. But this was of small moment, as everybody was obstinately in favor of the guaranteed note; just as if the sole factor of the value of the note in relation to gold was the guaranty that it could be converted into specie, forgetting that the depreciation of the legal tender note meant as much as a declaration that although there was a possibility of redeeming it the government would never be able to fulfil this obligation.

One of the characteristics of the situation was the continuous fall of the rate of international exchange or the increase in the premium on gold, a situation which was derived from a constant demand for bills of exchange, which had been created by the new business enterprises, and in part by the earthquake. The nitrate works had to pay for machinery purchased abroad, and this was also true of the numerous new smelting works. Chileans had also bought up valuable foreign property, such as tin mines in Bolivia, and agricultural lands in the Argentine Republic and the necessity of paying for these acquisitions or of working them was naturally shown in constant demands for bills of exchange.

It can be seen consequently that the paper note was an instrument of currency which was insufficient to satisfy international obligations, and the solution suggested of increasing the paper issue could not satisfy the necessities arising from the lack of capital.

If it were thought to solve the problem of the lack of capital by means of a new issue, it is evident that the danger would be

created of increasing the premium on gold, which at the time was already sufficiently high.

I do not wish to give the impression that I believe that every increase of an issue of paper money is always accompanied by its depreciation in relation to gold, but, there are evidently indirect relations, dependent upon circumstances, which may cause a depreciation in relation to gold as a consequence of an increase of paper issues.

In the present instance, it is evident that if paper money were given to those who had to cancel obligations abroad, they would have to purchase bills of exchange, thus producing a fall in the rate of international exchange. On other occasions, as for example in 1898, the announcement of a new issue produced a fall in the rate of exchange through other reasons; the bad state of our foreign relations had filled people with distrust, further depreciation was feared, and naturally a great demand for bills of exchange was felt. These are examples which go to show how an increase of paper issues can, according to circumstances, have a direct effect upon international exchange.

"If we now set aside international exchange and simply look at what we might call the internal value of our monetary unit," I said, as Minister of Finance, to the Chamber of Deputies, "a value which is reflected in prices which have no relation to importation, as rent, salaries, prices of natural products, properties, etc., etc., we can establish, without recurring to voluminous statistics, the fact that there is a great decrease in the purchasing power of our money, in other words, the value of our money has decreased. It is true that in proportion to the increase of prices the prosperity of business has increased and has come to contribute to the demand of merchandise and to the increase of wages. Do not imagine therefore that I believe that the only cause for this phenomenon is the decrease in value of our legal bill."

"What would be the result of a new issue on the internal value of our peso? The old quantitative theory, according to which every increase of the amount of currency would have to be followed by a proportional decrease of its value, is, it is true, no longer held in modern economic science. It cannot be said, for example, as stated by Courcelle Seneuil, that if an issue is increased from 100 to 150 the value of the bill will decrease one-third; but it is

also true that the underlying principle of this theory still has to be taken into consideration, and it is the one which establishes that it is impossible constantly to increase the issues without decreasing the value of the bill or, in other words, that the increase of paper issues always carries with it a tendency to decrease the value of the money."

"It is necessary for us to remember in connection with the scarcity of currency which we note to-day, that as the value of our money decreases, even if we increase the paper issues, the feeling of stringency would continue to increase, because with the decrease of the money the necessities which we could before satisfy with 100 pesos would have to be satisfied with 120. This we have seen has happened during the last few months, for we must remember that a crisis and monetary stringency may be produced even under the régime of a paper currency, because if the increase of paper issues were always the remedy for such situations, this method would possess the valuable property of quenching all these irregularities of economic life. Let us remember, for example, that the Argentine Republic became involved in 1890 in a great economic crisis, although it was under the regimen of legal tender bills, and although the value of the bills was considerably decreased a great many cases of bankruptcy and business liquidation occurred, the prices of properties increased, interest on loans, etc., went up, and in a word, all the characteristics of a great panic were present."

Although I insisted that the ideas proposed by me should be followed, the resistance was so great, on the part of the executive against the bringing into the country of the funds deposited in Europe, and on the part of Congress against the same plan and in favor of the increase of the paper issue, that I convinced myself of the impossibility of putting through my plans. I attempted to retire from the cabinet, but the desire to serve my country with a program which I thought was convenient and sane, made me continue in the cabinet, on condition that a plan based on those same ideas be adopted, even if the funds deposited in Europe should be left untouched. The plan on which the government came to an agreement consisted in the following: In accordance with the dominant idea, it was declared that the government considered it expedient to intervene in the economic question, and that it would adopt all necessary measures to remedy the situation.

As the one remedy which is indispensable in such disorders of the economic organism is capital, money of international value, and not issues of paper money, it was decided to discontinue the remittance of the funds which were sent every month to Europe to be immobilized. The proceeds of these funds, which were not to be sent to Europe, and of a foreign loan, would be placed on the market together with some other gold certificates which were at the disposal of the government; and in order to adopt a just and appropriate method for handling these loans, there being no state bank and it being impossible to deposit more funds in the national banks, it was decided to buy bonds upon a territorial mortgage and nitrate bonds.

Though in former years of prosperity, and especially in 1904, as I have proved already, the economic evolution could have been brought about without the intervention of government capital, to-day things were changed. A new and terrible panic was menacing us and we could not abandon the prosperity offered by the nitrate enterprises and the new agricultural enterprises and others which possessed a real and positive basis of wealth. Then also through the initiative of the government a bank or rather a mortgage-loan institute, to facilitate the loans of the nitrate enterprises, was created, with bonds or debentures of short term. The mortgage-loan institute had been used for many years with great success as a governmental institution, and this new step was taken in favor of the national nitrate industry.

Once this plan had been agreed upon, the discussion of it began in Congress. The great majority in Congress were partisans of an increase of the paper issue, and it was soon seen that it was impossible to resist this majority without making the country endure the heavy consequences of a conflict between the executive and Congress. The legislative measures adopted after long discussions in parliament were the following:

1. The payment of importation duties in gold was suppressed. This measure stopped anomalous circulation of specie within the circulation of depreciated paper money.

2. It was arranged that notes be issued in exchange for gold, that is to say, that a note be given in exchange for each gold peso of eighteen pence deposited.

This measure had no importance at this time, because of the depreciation of the paper peso in relation to gold, but it was adopted

as an inoffensive measure to be applied when exchange should improve.<sup>11</sup>

3. The nitrate mortgage-loan institute was created for the issue of special bonds or debentures for this industry.

4. The accumulation of funds for the conversion of legal tender notes in Europe was suspended; the government was authorized to complete this fund by means of a loan when the conversion of the notes should be made.

5. An increase of the legal tender notes was made to the amount of \$30,000,000, even against the opposition of the executive. This sum was created for the purchase of mortgage bonds.

6. The executive was authorized to contract a loan of three million pounds sterling to be devoted later to the construction of public works, to be invested meanwhile in bonds.

The purpose of this loan was to avoid a still greater depreciation of the paper money, by placing in the country a great amount of bills of exchange and placing these funds for some time in the country through the purchase of bonds. It was understood by many that with the issuance of only paper money, international exchange would continue to fall, because great sums of money had constantly to be sent abroad. As it can be seen, the legislative measures adopted by Congress did not correspond to the plan or project approved by the government. Nevertheless we did all we could to obtain the object which we had in view as a remedy for the panic, even without going beyond the legislative measures adopted, there being in the law sufficient material from which a solution of the situation could be worked out.

In this I met with serious opposition in the government and after my resignation from the ministry, the program proposed by me was completely abandoned. The foreign loan was not contracted for the whole amount, and it may be said that the issue of \$30,000,000 was the only means adopted for the creation of money-capital.

At the end of 1907 it was seen that the general economic situation was getting worse and worse, and the panic was approaching with disastrous outward manifestations. The panic in the United

<sup>11</sup> The reason for choosing this occasion, which was so inopportune, to provide for the issuance of notes against gold was that a group in Congress tried to create a Bank of Issue against mortgage bonds, so that everybody who deposited bonds could obtain bills. The government then declared that it would permit issue only against gold and not against bonds.

States and its echo in Europe helped to complicate the situation in Chile. Strong foreign houses and banks, which had capital in the country, began to demand the payment of their credits. This and the numerous debts contracted here in previous years, as a result of the many new enterprises which had recently been undertaken, made the question a very serious one.

Following the panic in the United States and Europe the situation in Chile became alarming. International exchange fell rapidly, and numerous business houses went into bankruptcy and insolvency, and these produced the consequent business panic. The effects of the panic were felt principally in Valparaiso and Santiago, which have been the great business centers of late years. Few of the numerous securities quoted on the bourse in previous years now found buyers. The risky enterprises which had been formed for the sole purpose of speculation had disappeared some time before, and the shares of the stable enterprises began to suffer heavy losses in their prices. Happily the panic did not yet extend to agriculture, but agriculture was not sufficient to heal the gaping wounds left by the new situation.

The force of circumstances had compelled the government to recognize, although somewhat too late, the gravity of the situation, of the nitrate enterprises, and especially of recently discovered nitrate in Atacama. With the funds at its disposal and through our principal bank it had tried to make loans to these enterprises, and keep them from stopping their works. But this method, had not only come too late, but had also had all the disadvantages of a measure which was poorly studied and applied, and which had not been carried out with a general spirit of justice and equity. To-day it is being recognized that the policy of placing national funds in nitrate bonds would not only have been efficacious, but would have been more just as a protection to this important branch of the national industries, which from a financial point of view produces more than fifty per cent of the public income of the nation, while of the total amount of our exportation it produces eighty per cent. As far as the nationalization of this industry is concerned our policy could not have been worse.

What, it may now be asked, ought to be our financial policy in the future? In the year 1910,<sup>12</sup> the term fixed for the redemption of

<sup>12</sup> This paper was written at the close of 1909.

the legal tender bills by gold pesos of eighteen pence will cease. Since the legal tender note is now considerably depreciated in relation to the gold peso, and considering the long time in which the contracts have been adapting themselves to this situation, it is easy to understand that it would not be possible to redeem the currency in 1910 without greatly endangering the development of business. If, as far as the means at the disposal of the government are concerned, the operation were possible, considering the effects it would have on the development of business, on credit, on the fulfilment of contracts and on the stability of banks, it can be said with certainty that grave dangers would arise which ought to be avoided. For the re-establishment of the metallic currency an occasion must be selected which ought to correspond to a period of actual economic prosperity, as was for example that of 1904. It is known with what distrust the public would, after a complete failure in the year 1898, receive the conversion of the legal tender notes. It is therefore necessary to carry out such an operation in times of prosperity, when the wounds of the present crisis are healed, and when new vigor and life animates the financial situation of the country.

It can be seen therefore that a conversion at par or at eighteen pence is not likely to be carried out, and therefore the authorities ought to begin to think of setting a lower rate of exchange for the gold which would replace the notes; this rate could be fixed for example at twelve pence. But this operation would have the disadvantage of reducing still more the value of our peso, and for this public opinion with us does not as yet seem to be prepared. If the depreciation lasts for some years longer a unanimous opinion on this point could perhaps be secured. It might be urged in favor of this measure that it would be better to have a fixed value for the peso at twelve pence instead of a nominal value of eighteen pence, which in reality changes continually in its relation to gold and costs to-day only nine pence. It was in this manner that the Argentine Republic settled its financial difficulties through the bank of conversion. But even in this case better times would have to be selected for the operation, as was done in the Argentine Republic. The exchange of the day of the conversion was selected for the permanent one and consequently no harm was done to debtors, the operation being received without distrust, as would happen if the exchange selected were higher than the actual international exchange. Our exchange to-day being as low as nine pence, it would cause

panic and unnecessary trouble to raise it to twelve pence. Our financial policy then must confine itself now to leaving things as they are. Let us wait for better times without increasing the paper issues, and I do not doubt that a day will come in which it will be sufficient for the government to establish the exchange of the gold and legal tender note at par. The circulation of the note and gold at par can be arrived at by establishing the exchange at sight and to the bearer; and here where the people are accustomed to the notes it would be sufficient to leave to the government the power of making issues. In this case we would have gold money, supplemented by paper bills which would circulate at par with the gold.

The solution of the financial difficulties in the Argentine Republic with the bank of conversion depends upon a mixed circulation of gold and paper, the latter being exchangeable at sight and to the bearer. The gold does not circulate as it does in Europe or the United States, that is to say as in those countries which have a gold unit, but it circulates in the form of paper, the gold being left on deposit in the bank of conversion and its coinage being thus avoided. Both solutions are similar, but both must be established in prosperous times and when the wounds of the present situation are healed—that is to say, when they would not produce fluctuations dangerous to business.

Let us devote ourselves at present to effacing the difficulties of the present situation, and let us work for the development of those enterprises which constitute the basis of our national wealth. Let us take those measures which are necessary to bring about this evolution, and when the wounds are healed, the solution of the financial crisis will come about without friction.

#### AMOUNT OF PAPER MONEY IN CIRCULATION.

Year.	Issue.	Total in circulation.
1898	\$50,000,000	\$50,000,000
1899	50,000,000	50,000,000
1900	50,000,000	50,000,000
1901	50,000,000	50,000,000
1902	50,000,000	50,000,000
1903	50,000,000	50,000,000
1904	30,000,000	80,000,000 (Law of Dec. 29)
1905	30,000,000	80,000,000
1906	40,000,000	120,000,000
1907	30,000,000	150,000,000

## PREMIUM ON GOLD.

(Table taken from the quotations of the bourse as published in *El Mercurio* and *El Ferrocarril*.)

Year.	Month.	Premium on gold in %.	Year.	Month.	Premium on gold in %.
1898	August 14	30	1900	Jan. 30	II
1898	August 15	46	1900	Feb. 14	10 $\frac{1}{4}$
1898	August 17	37	1900	Feb. 28	II.20
1898	Sept. 10	25	1900	Mar. 14	9 $\frac{1}{2}$
1898	Sept. 14	40	1900	Mar. 31	9 $\frac{1}{2}$
1898	Oct. 10	26 $\frac{1}{2}$	1900	Apr. 15	9 $\frac{1}{4}$
1898	Oct. 14	32 $\frac{1}{2}$	1900	Apr. 30	8 $\frac{3}{8}$
1898	Oct. 31	34	1900	May 14	8
1898	Nov. 14	35 $\frac{1}{2}$	1900	May 31	5 $\frac{1}{2}$
1898	Nov. 30	38	1900	June 15	3 $\frac{3}{4}$
1898	Dec. 14	39	1900	June 30	3
1898	Dec. 31 <sup>13</sup>	44	1900	July 14	3 $\frac{3}{4}$
1899	Jan. 14	49	1900	July 31	3 $\frac{1}{2}$
1899	Jan. 30	39 $\frac{1}{2}$	1900	August 14	3 $\frac{3}{4}$
1899	Feb. 14	38.80	1900	August 31	3 $\frac{3}{4}$
1899	Feb. 28	35	1900	Sept. 14	3 $\frac{3}{4}$
1899	March 14	32	1900	Sept. 29	2 $\frac{1}{2}$
1899	March 31	29 $\frac{1}{2}$	1900	Oct. 15	5
1899	April 10	32	1900	Oct. 31	5 $\frac{1}{2}$
1899	April 14	24 $\frac{1}{4}$	1900	Nov. 15	5 $\frac{1}{4}$
1899	May 14	22 $\frac{1}{4}$	1900	Nov. 30	5 $\frac{3}{4}$
1899	May 31	24	1900	Dec. 15	5 $\frac{1}{4}$
1899	June 14	18	1900	Dec. 30	2 $\frac{1}{2}$
1899	June 30	19	1901	Jan. 14	2
1899	July 14	18	1901	Jan. 31	4
1899	July 31	15 $\frac{1}{2}$	1901	Feb. 15	8
1899	August 14	15 $\frac{1}{2}$	1901	Feb. 28	5 $\frac{3}{8}$
1899	August 30	16 $\frac{1}{2}$	1901	Mar. 15	4 $\frac{1}{2}$
1899	Sept. 14	16 $\frac{1}{2}$	1901	Mar. 30	5
1899	Sept. 30	17 $\frac{1}{2}$	1901	Apr. 15	5 $\frac{1}{2}$
1899	Oct. 14	19	1901	Apr. 30 <sup>14</sup>	9
1899	Oct. 31	23 $\frac{3}{4}$	1901	May 17	9 $\frac{3}{4}$
1899	Nov. 14	20 $\frac{1}{4}$	1901	May 31	14
1899	Nov. 30	16	1901	June 15	12 $\frac{3}{4}$
1899	Dec. 14	14	1901	June 30	13
1900	Jan. 2	9	1901	July 15	13 $\frac{3}{4}$
1900	Jan. 15	10 $\frac{1}{2}$	1901	July 31	14 $\frac{1}{2}$

<sup>13</sup> A project presented for the increase of the legal tender notes was presented by 15 Senators, but was not approved.

<sup>14</sup> The President of the Republic turned over the public affairs to the Minister of the Interior on account of severe illness.

Year.	Month.	Premium on gold in %.	Year.	Month.	Premium on gold in %.
1901	August 14	10 $\frac{3}{4}$	1903	Feb. 2	9 $\frac{1}{4}$
1901	August 30	8 $\frac{1}{2}$	1903	Feb. 16	8.90
1901	Sept. 13	10	1903	Mar. 2	7 $\frac{1}{4}$
1901	Sept. 30	13	1903	Mar. 14	8 $\frac{3}{4}$
1901	Oct. 15	12 $\frac{3}{4}$	1903	Apr. 10	7
1901	Oct. 31	15 $\frac{1}{2}$	1903	Apr. 15	8.20
1901	Nov. 14	15	1903	May 1	7.80
1901	Dec. 22	17 $\frac{1}{2}$	1903	May 16	8
1901	Dec. 14	23	1903	June 1	10
1901	Dec. 30 <sup>15</sup>	26	1903	June 15	7.80
1902	Jan. 15	24	1903	July 2	7 $\frac{1}{2}$
1902	Jan. 30	26 $\frac{1}{2}$	1903	July 16	7 $\frac{1}{4}$
1902	Feb. 14	27.80	1903	August 1	8
1902	Feb. 28	27 $\frac{1}{4}$	1903	August 16	9 $\frac{1}{2}$
1902	Mar. 15	31 $\frac{3}{4}$	1903	Sept. 2	9.20
1902	Mar. 31	29	1903	Sept. 16	8.80
1902	Apr. 15	29 $\frac{1}{2}$	1903	Oct. 1	8
1902	Apr. 30	25	1903	Oct. 15	9 $\frac{1}{4}$
1902	May 15	23	1903	Nov. 2	8.40
1902	May 30 <sup>16</sup>	13.40	1903	Nov. 16	8
1902	June 14	14	1903	Dec. 1	6 $\frac{1}{2}$
1902	June 30	14 $\frac{1}{4}$	1903	Dec. 26	6 $\frac{1}{2}$
1902	July 15	11 $\frac{1}{2}$	1904	Jan. 15	7.30
1902	July 31	14	1904	Jan. 30	8
1902	August 14	12	1904	Feb. 18	8.20
1902	August 29	11	1904	Feb. 28	7 $\frac{1}{2}$
1902	Sept. 14	11 $\frac{1}{2}$	1904	Mar. 14	7 $\frac{1}{4}$
1902	Sept. 30	11.30	1904	Mar. 30	7 $\frac{3}{4}$
1902	Oct. 15	11.60	1904	Apr. 16	7 $\frac{1}{2}$
1902	Oct. 30	11 $\frac{1}{2}$	1904	Apr. 30	7 $\frac{1}{4}$
1902	Nov. 14	11 $\frac{3}{4}$	1904	May 14	6 $\frac{1}{2}$
1902	Nov. 29	10	1904	May 30	6
1902	Dec. 15	7	1904	June 16	6
1903	Jan. 10	7 $\frac{1}{2}$	1904	June 27	5.70
1903	Jan. 15	8	1904	July 14	6.80

<sup>15</sup> The state of international relations with the Argentine Republic inspired new distrust.

<sup>16</sup> The Argentine conflict was arranged finally.

## THE SOCIAL EVOLUTION OF THE ARGENTINE REPUBLIC<sup>1</sup>

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To condense into a few pages several centuries of the history of a nation like the Argentine Republic, to give some idea of the nature of the forces that have determined the development of this country from the end of the sixteenth century, the period of its discovery, to this the second decade of the twentieth, when it is celebrating the first centennial of its independence, is a task at once delicate and arduous. For, aside from these natural difficulties, it will be necessary to avoid all details, to shun statistics, and even to lay aside historical evidence, in order to crystallize into seemingly dogmatic statements, the complicated social evolution of a people in process of transformation, a people still in a formative period. It is a venture bordering upon the impossible.

A century after the commencement of the conquest of the American continent and after the scattering over the land of the invading race, at once warlike and religious, an expedition which was purely Andalusian discovered the River Plate in the southern extremity of the continent. Instead of penetrating to the south, the expedition fixed its gaze northward, searching for a route by which to renew relations with the rich district of the old empire of the Incas. This was in obedience to that thirst after wealth which characterized the taking possession of America. Two centuries later, these remote provinces had been converted into the very important viceroyship of the River Plate. In one direction it extended from the tropical viceroyship of Peru and the torrid lands of Portuguese Brazil, to Cape Horn, lashed by the raging Antarctic seas, and in the other direction it stretched from the chain of the Andes, which runs like a solid wall the length of one of its flanks, to the Atlantic Ocean,

<sup>1</sup>The Academy wishes to express its appreciation to Layton D. Register, Esq., of the Law Department of the University of Pennsylvania, and to Mr. Enrique Gil, of the National University of La Plata, of the Argentine Republic, for the translation of this article.

which bathes its extensive coasts. This enormous territory thus embraced every sort of climate, and was inhabited by a heterogeneous collection of aboriginal races. Its conquest and colonization had been effected upon two convergent lines, that by water, by the River Plate, that by land, from the north. This impressed upon the civilization of these regions different characteristics which must be defined since, even after a century of political independence, their mark is still stamped upon the ideals, aspirations and conduct of the inhabitants.

The "Leyes de Indias,"<sup>2</sup> faithful reflections of the purposes of Spanish colonization in America, show how extraordinary was the importance of the native races, how relatively few were the Spanish conquerors and how closely the two races became mingled, through the régime of the *encomiendas*<sup>3</sup> the *mitas*<sup>4</sup> and the *yanaconazgos*.<sup>5</sup> The Spanish colonies were founded and developed in the midst of a mass of people, who, because of their enormous superiority in point of numbers, necessarily reacted in turn upon the small number of the invaders, either by interbreeding with the latter, or by the contact of daily life, or by their superior adaptability to their natural environment. The conquerors themselves presented different traits, according to the region of Spain from which they came, and naturally they sought to group and to settle themselves in obedience to the ethnic affinities of their origin. Biscayans, Basques, Castillians, Aragonese, Andalusians, etc., gave typical characteristics to every American region where they established themselves. They transplanted their social prejudices, their spirit of communal independence, their concentrated energy and their buoyant temperament. From this it resulted that in whatever corner of America a particular Spanish strain of blood was found, there were reflected the traits of the corresponding district of Spain.

As the native races varied according to the region, from those

<sup>2</sup>Old Spanish legislation for the Spanish-American colonies.

<sup>3</sup>*Encomienda* is the Spanish name for the concession, granted by the crown during the Spanish Colonial period, of a certain number of native Indians, to a Spanish conqueror for purposes of service. The *Encomendero* was the recipient of such a concession from the crown.

<sup>4</sup>*Mita*. Spanish term for the distribution by lot of the native Indians for purposes of public work.

<sup>5</sup>*Yanaconazo*. Spanish term for that peculiar kind of land tenancy by which the tenant has no title to the land, but receives a proportion of the product of his labors upon the land.

of a peaceful and civilized character to those of an untamable and warlike nature, and even to ferocious savages, the Spanish settlements existed without any common plan. They made a republic with the tribes, and they were the beginning of a creole type which was quite distinct in each locality. In the viceroyship of Buenos Ayres the ethnic geography of the aborigines shows a kaleidoscopic variety of races. In the north and in the regions which formerly had been subject to the rule of the Incas, the population—both servient and dominant classes—was peaceful, attached to the soil, resigned and passive.

In those regions lying between the two great rivers the population was of a gentle and peace-loving nature and, therefore, was easily molded by missionary civilization. Along the slopes of the Andes the people were daring, excitable and independent. The south or Patagonian extremity was overrun by brave and unconquerable tribes, closely related to that Araucanian race which the Spanish conquest never entirely succeeded in subduing. The Spanish settlements on the other hand presented different characteristics. In the north they came from Lima, and were Biscayan and Castilian, aristocratic, very proud of their ancestry, holding aloof, enriched by the mines of Potosi and the commerce of the fleet of Portobello. Southward were Andalusians and Spanish common folk, little given to titles and conventionalities. They were condemned to pursue the smuggler's trade, because the mother country, following an economic error of the time and perhaps owing to deficient geographic knowledge, permitted them only an overland commerce, by mule back, from the Panama fleet which unloaded its cargoes in Callao. Hence in the provinces of the north, called High Peru, and in the present provinces of Jujuy and Tucuman, the Spanish population held up Lima as their ideal, and exhibited both its vices and its virtues. Out of it was formed the aristocratic, commercial and luxurious city of Salta. On the other hand, in the river provinces, the existence of the cities was precarious and fraught with the dangers of a smuggling trade carried on with the Portuguese neighbors—the source of the centuries-old controversy of Sacramento colony. These settlements were not unacquainted with the fear of pirates, of daring navigators and of roving slave dealers, who on their arrival at the River Plate unloaded the "products of their country," with the toleration and secret complicity of the government officials and with

the connivance of the inhabitants. These inhabitants were true outlaws. They scoffed at the administration and fiscal measures and trusted more to their fists than they feared being caught in the complicated meshes of the uneconomic laws.

The interbreeding of these different classes of population resulted in creole types, characteristic of each region. In the central cities of the north, they were always aristocratic and devoted to learning, while in the vast stretches of country they lived the semi-feudal life of *encomenderos*. The interbreeding with the Indians formed an inferior class of half breed which approached the type of the mother more than that of the father and which was certainly not a robust or handsome race. In the river region, the population lived on a democratic plane of equality in the cities, while in the rural districts they became that creole type known as the *gaucho*.<sup>6</sup> Found amidst a scattered population and inheriting the far from sedentary habits of the Spanish mother race, the *gaucho* preferred the free and roving existence of the pampas. He lived by the herds of semi-wild animals, which had multiplied amazingly since Mendoza's expedition had introduced the very limited stock, destined later to be converted into the stupendous riches of this country. In the central, more mountainous region also, the interbreeding of the races produced very definite results and the creole population of the rural districts acquired traits as though living closely associated with the *gauchos* of the pampas. In the south the aboriginal races remained pure, except for the insignificant mixing which came from the Spanish captive women, victims of the attacks of the Tehuelches of the north, from Santiago del Estero to the Bolivian frontier. populations. Wherever the native population was dense and attached to the soil the creoles living in the country and about the cities show a closer affinity with it, than with the Spanish blood. They adopt native habits and conform to native peculiarities, even to the extent of adopting the melancholy rhythm of the music and songs, those unique *tristes* which are heard even to-day in the Argentine provinces of the north, from Santiago del Estero to the Bolivian frontier. There the creole laborers of the land and the half breeds of the districts about the cities tenderly preserve the *quichua*, or native language of their ancestors, by intermixing it with the Spanish. The same close affinity with the native element is found in the river

<sup>6</sup>The cowboy of the Argentine Pampas.

provinces, and especially in Corrientes, where in the rural and semi-rural districts the dregs of the missionary population have preserved as their most precious possession the *guarani* dialect. But, where the native population was more scattered and nomadic, the creole population became transformed and converted into the *gaucho* or cowboy of the pampas, a very handsome half breed, full of energy, of noble instincts, accustomed to the freest sort of life over boundless plains, where each one depended solely upon himself and recognized no superior. Here we have the explanation of the great hold which this type (*gaucho*) has upon the imagination.

In spite of these differences, however, the colonial life was stamped with a certain uniformity which served as a background for these local peculiarities. Spanish-American society was zealously preserved from contact with other European nations. Only inhabitants of Spain were free to go and come, so that this triple characteristic—that they were Spanish, monarchical and orthodox Catholic—was the salient feature common to all South America. The person of the monarch and the supreme authority of the colonial office were very distant and the tribunals of the viceroys and governors holding actual sessions there upon the territory, were the real and tangible personifications of the monarchy. The Pope himself was also very distant and had given over the superintendence of ecclesiastical affairs to the crown, which had in turn confided it to the respective viceroys. The bishops and religious orders were, strictly speaking, the visible representatives of religion. In this way throne and altar came in touch with the colonial populations, who took heated sides in the formidable conflicts which used to arise between the representatives of each. But they retained respect for them; they recognized their high merits and prerogatives and obeyed them as representing that which could neither be questioned nor altered. Public officials of all grades were drafted from Spain and remained for definite periods. The laws forbade them to mix with the populations and they kept themselves aloof, with the ostensible purpose of assuring their complete impartiality. But the result was that they tried to take advantage of their period in office to swell their personal fortunes, without allowing themselves to be deterred by any scruples or drawing rein to their appetites. The priests even, both secular and those regularly ordained, allowed themselves to

be carried away by that spirit of self-seeking which led them to look upon America as a mine to be exploited.

Doubtless there were zealous officials both civil and religious who performed the best type of service. The Spaniards were established amidst a native population, who devoted themselves to commerce or to mining in the north, and to the raising of cattle and lesser trades in the river and central districts, and they always looked upon their residence in this part of American territory as a temporary sojourn, during which to acquire riches. The creoles, of every class, both of the city and of the country, perhaps because they seemed to be looked down upon by the Spaniards, were unconsciously trying to enlarge their hold upon affairs of all kinds. They felt themselves, as it were, rooted to the soil, and far from proceeding only from selfish motives of money making, they took an interest in local affairs, which, for them, were of greater importance than those of a crown, only vaguely known to them by report. The city creoles, thanks to an advanced communal spirit, aroused by the establishment of the *cabildos* or Spanish town council, were diligently at work on their own municipal problems. They thus became accustomed to limit their horizon to the limits of their own city and of the immediately surrounding country district, because communication between the cities was slow, difficult and dangerous, a condition which resulted in their virtual isolation from each other. The city might almost be regarded as the center of their universe. From the rest of the world news arrived months and years later, tempered or misrepresented. It awakened not the faintest echo. It might as well have been the news of far away ages and peoples.

The mass of the natives, with whose women the military and civil population cohabited, since relatively few Spanish women came to America, took no interest whatsoever in the affairs of a monarchy which was not that of their ancestors but of a race different from themselves. They showed, rather, such a passive indifference that each community seemed a world unto itself, occupied and pre-occupied only with its own matters. The religious and civil officials, in their turn, were soon contaminated by this environment. They gave to local affairs so excessive an importance that it also appeared to their eyes as if the boundary of the Indian city was the *ultima Thule* of civilization. In the northern provinces, which had reached the final stage of perfection under the old Inca conquest, the native

population preserved and protected its pre-Columbian traditions by the use of their dialect, the *quichua* tongue. The régime of the *encomienda*, the *mitas* and the *yanaconazgo* had produced only a formal subjection of the natives. In the depths of their souls the natives preserved and fostered traditions of bygone centuries. In this way the creoles, the product of interbreeding, were recast into the dense mass of the Indian population and became more conversant with American traditions than Spanish.

Amongst the missionary converts, the Jesuits had erected cities that flourished artificially under their care. They were inhabited only by Indian races, and the Jesuits zealously guarded them from contact with the Spaniards whom they removed far from their admirable theocratic empire as though they were the very incarnation of evil. An unreal civilization was thus created, governed patriarchally by the priests and without any vitality of its own. Hence, the expulsion of the priests by the *coup d'état* of Charles III brought about the destruction of these populations, which had realized during the century of their existence, the ideal of the most exacting of Utopian civilization. But the results were not such as had been desired. These Indians, on being distributed over the colonies, did not coalesce with the rest of the inhabitants, but returned to the depths of barbarism or, as in the present province of Corrientes, constituted the mass of the population, an element indifferent to national interests just as the old missionaries had been to those of the crown and sensible only to the recollection of their ancient and traditional life, that is to say, to their own local affairs.

In the central and river provinces, the marvelous increase of animals capable of domestication but still in a wild state brought about a profound transformation. The native tribes, sparser than in the north, without losing any of their savage customs, soon possessed themselves of the horse and overran the boundless pampas. The creoles of the country districts and the *gauchos* in their turn vied for the possession of the horse. No longer able to remold their life to that of the savage tribes, they checked their bold and ferocious habits and became keen and cautious, forming a race of special type, midway between the Indian and the Spaniard. They were extreme individualists, for in the immense pampas, authority, both civil and religious could obtain but a weak hold. The *gaucho*

made so complete a face-about from his former self as to devote his life solely to cattle raising. He evolved a special fitness or adaptability to his new life and created the most curious types, from the *zumbon compadrito* with his peculiar cloak and *chiripa*, who flashed his sarcastic jests with such grace and elegance, to the poet troubador and famous animal tracker who was but little less keen than the hound in scenting and following the trail of man or beast. As the *gauchos* came in contact with not a few of the city population, upon whom they were dependent for obtaining the things they needed in exchange for pelts and the products of the country, they formed with such of the latter as came most closely in touch with them, a community of ideas and aims. Thus by busying themselves only with their own special lives, they became independent and without attachment for any but their respective municipal centers. Each region possessed its local feature, each was separated from the rest and all were but nominally linked and united with their remote and common monarch.

In the River Plate region, leaving aside the factor of geographic interest, to which I have just made allusion, the racial history was limited to the Spanish population and its creole interbreeding with the native races, because the negro population had no importance whatsoever, in this part of America. The quantity of negro slaves introduced by the "dealers" was reduced to a minimum, and even these, upon the breaking out of the war of independence, were killed off, for now that their masters were freeing them, they formed the great body of the troops. In this way they helped the American cause. The mulattoes, consequently, were also reduced in number. This process was carried to such a point that the singular scarcity of pure negroes or even of mulattoes was a real characteristic of this country.

Foreign influence could only penetrate by way of the Atlantic, and even then only covertly, unless it were by crossing the rocky barrier of the Andes. The Portuguese influence was limited to the profitable commercial relations with the smugglers. That of other nations only made itself felt through the occasional visits of ships forced to take shelter in the La Plata from time to time, or dropping anchor upon various pretexts, but always with the intention of smuggling. This was an open secret to the then few inhabitants of Buenos Ayres, the possibilities of which as a port,

although gainsayed by the crown, had been ordained by nature. When, during the last days of colonial domination, commerce was permitted to the port of Buenos Ayres, there was no longer time for foreign influence to penetrate to the heart of the country. The English invasions left a greater residue of influence through the distribution of the English prisoners, who in great part established homes in the midland regions to which they were sent. There, in the midst of the Spanish families, with whom they were left, they disseminated ideas of liberty and standards of independence, unknown among the rest of the population, the best classes of which in those days of unrest, were a turbulent and irrepressible element.

The revolution of May, 1810, wrought a fundamental change in the social situation. Distinguished officers of the Napoleonic wars came to the country to offer their military services. English merchants, attracted by the reports of the English invasions of the Argentine Republic in 1806 and 1807, hurried over in increasing numbers. Soon they were influencing the society of Buenos Ayres which adopted London fashions, many of its customs, and became accustomed to the English character. Foreign commerce was concentrated in the hands of the English and many of these merchants finally married in the country. During the colonial epoch only books expurgated by the Inquisition had been admitted, but now the revolutionary movement unmuzzled these mysteries and flung wide the doors through which penetrated a flood of French and English works. The doctrines of the French revolution were at that time the passion of the majority of our public men, and its influence, even its Jacobin and terrorist phases, is traceable from the first instant. This is revealed in the "plan of government" of Moreno. On the other hand, the constitutional doctrines of the Anglo-Saxons were embraced only by the few. Dorrego went to the United States and there absorbed them. During the first decade after the revolution, the educational system scarcely advanced at all but followed closely to the traditional path of teaching taught by the University of Codoba. The University of Buenos Ayres was founded in the second decade, and made an effort to reform public education. But the war of independence was not yet over and the internal situation of the country at the end of the anarchical dissolution which took place in 1820, was such that a multitude of affairs

demanded attention, and as yet it was hardly possible, outside of the large cities, to turn to such questions of reform.

The winning of independence was the cause of the sad dismemberment of the viceroyship of the River Plate and the statesmen of the period could not have prevented it. From what was once a single historic province there have gradually been detached the province of High Peru, to-day the Republic of Bolivia; the province of Paraguay, to-day the Republic of the same name; the eastern missions which now constitute the present Brazilian provinces of Rio Grande do Sul, Santa Catalina and Sao Paulo. The Banda Oriental has since become the Republic of Uruguay; the Falkland Islands were snatched by England; the territory about the Straits of Magellan was ceded later to Chile, under color of regulating the boundary line. The Argentine Republic, during the first century of its existence as an independent nation, far from acquiring a single square mile of territory, has continued to lose territory at every point of the compass. Her international policy, from that point of view, has been lamentable and the memory of it is still a bitter lesson.

Within the enormous territorial expanse which now constitutes the Argentine Republic political integration was effected slowly. The different populations settled at intervals along the routes which connected Buenos Ayres with Lima on the one side, with the Andes on another and with Asuncion on still another. Each settlement was an oasis of Spanish population set in the midst of a savage country. In order to establish something approaching unity within each section, the people organized themselves after the pattern of the urban centers of Spain with their *Cabildo* or town council as the communal authority, which controlled and regulated the extremes of opinion and conditions and brought the whole municipal life to a focus. Each settlement lived a life apart, separated from the others. In fact they were cast in the mold of the ancient Spanish village society, and the central authority only made itself felt at infrequent intervals.

The inhabitants of each village thus developed an aptitude for municipal life and for self-government, and a concentration upon local interests which became the basis of their political development. They fostered a local character which was the very foundation and essence of their later federal tendency. To

the interests and pretensions of the crown as formulated by the "Council of the Indies," they preferred the authority of the viceroy and of the intendants, but their main preference was the municipality itself, whose frank and loyal mouthpiece was the traditional Cabildo. For this reason, when the movement for independence commenced, each village and each city was led by its own Cabildo, and it was the Cabildo which gave vigor and form to the revolution. Around the Cabildo the inhabitants of the vicinity grouped themselves in the different organic or anarchic revolts which followed. It was for this reason, too, since the present republic possessed no basis of political division, that each one of the cities formed a nucleus in its respective province of the same name, and that the whole territory was subdivided according to the radius of authority exercised by the principal cities of colonial times, without any account being taken of economic autonomy or of demography.

Federal sentiment made its appearance profoundly rooted in tradition and blood, and the tendency towards centralization only emanated from certain groups of dreamers at the metropolis who with their eyes closed to the past believed along with such deluded men as Rivadavia that, by destroying the traditional Cabildo, they would wipe the state clean of such precedents, just as the Jacobins of the French Revolution did with the institutions of the ancient régime. Argentine society issued from the seventeenth and eighteenth centuries already shaped toward local self-government and local loyalty. It already appeared a federation in fact which was easily transformed into a federation in law, because the federal idea was at bottom the very heart and soul of things.

The development of our colonization also indicated that of our civilization. As we approach the north, the brilliant center of civilization of Lima society becomes more aristocratic, infatuated with its learning, luxurious and fastidious. The youth of the Plate Valley were attracted to the University of Chuquisaca, where, amidst its cloisters, they acquired a grave and disputacious manner. Later the University of Cordoba, like a pale reflection of the former, drew upon a part of these youths and, if they left its lecture halls also practiced in the art of sophistry, they did not imbibe in return that atmosphere of aristocratic aloofness, pomp and presumption. Buenos Ayres and the river country were without a university and without an aristocracy. At the periodic auctions of titles of nobility,

the receipts of which were added to the colonial contributions and were intended to meet a certain deficit in the Spanish treasury, not a purchaser appeared and there was not a single herder of the pampas nor a single rich smuggler who would bid. The titles which were thus put up to sale remained unpurchased, for the people held them in no esteem.

With no resources other than its commerce and industry which were both of a contraband nature, Buenos Ayres developed more rapidly than other cities and with a greater freedom from "red tape" and formalism, in spite of its being the seat of the general government, with its Spanish officials, its civil, military and religious authorities and an administrative machinery identical with that of the other capitals of the viceroyship. For here there was not the same atmosphere, the life was simple and democratic, the officials had no stage from which to display their importance, and within the narrow walls of the modest home of the government, the few inhabitants of this metropolis used to mingle in its marshy, unpaved streets, or in their unpretentious and simple adobe houses. They treated each other with a certain equality, which was due precisely to those conditions of intense individualism developed of necessity in a cattle raising community.

In the northern and central districts society was cast in the Peruvian mold, a reproduction of Spanish civilization, aristocrats adopting primogeniture and, in modified form, the feudal régime of the *encomenderos*. In the river and mountain region, the urban was a reflection of the rural population, independent, haughty, brave, accustomed to making forays upon horseback over the endless pampas, trusting to its own decision and in the end to the knife, which was a symbol of the worship of personal courage, inherited from Spanish ancestors who had developed it during the centuries of the struggle against the Moors. In the river district the commerce, which in the main was carried on illegally by doggedly persevering merchants who plied their trade fearlessly with pirates and foreign smugglers, caused a certain spirit of self-confidence to grow. This spirit made itself felt in the popular movement of the reconquest of 1806, and in the impulse of the revolution of May, 1810.

From Buenos Ayres started the movement for independence, and the Cabildos of the interior cities fell in with the movement with more or less alacrity. Hence the further inland these

cities were, the less enthusiastic. The Paraguayan region isolated itself and followed the conservative policy of the Cabildo of Asuncion. The province of High Peru, in spite of its efforts, was the last to revolt and never followed with any ardor the movement initiated by the metropolis. Indeed, the revolution of May, which had spread to the banks of the Paraguay river and over the plateau of Bolivia, might not, perhaps, have succeeded in so closely cementing, in spite of the righteousness of its cause, the independence proclaimed in Tucuman in 1816, had not the inspiration of San Martin added that powerful impulse which flung armies across the Andes, liberated Chile from Spanish dominion and brought independence to Peru. He might have pursued this glorious course toward the independence of the whole continent, if the colossal egotism of Bolivar in that tragic conference of Guayaquil had not placed our national hero in the dilemma of either eliminating himself and leaving his selfish rival to wear the laurels planted and nurtured by Argentine blood or of sacrificing the fruits of the campaign for independence, by not being able to obtain from him the military assistance he was in need of. He placed his country before his own glory and yielded the field to one to whom personal renown was preferable to all else.

For the social evolution of Argentine the sacrifice of San Martin was of incalculable importance. Upon eliminating himself, he left to his rival the army which he had himself led until then and this country was deprived of its one organizing force. Disintegrating tendencies manifested themselves without counter-check. In the second decade of the century, various little republics were defiantly established in the interior. They were constructed upon the plan of the old settlements which had risen to something greater. They were governed by Cabildos, and these in turn obeyed the local leader, who was raised to dictatorship over the districts. Each province was sufficient unto itself. It barely communicated with the others and retrograded towards barbarism without regularly organized government or other will than that of its respective tyrant and the free-lances who were his immediate followers. Schools closed; families took refuge within the walls of their dwellings; terror pervaded; life was everywhere insecure; those who could, emigrated, leaving behind them on the land the sick, the women and the children. Men were bedfellows in misery; there was no industry, no commerce; sin flourished and virtue was trampled under foot. These thirty

years of bloody and merciless civil strife made prominent the idea of the rule of force. People were taken from peaceful work, efficient teaching languished, every social bond was weakened and in the end a society evolved in which not education, ancestry or fortune exercised the least influence, but audacity, the impulse of the local leader, the mob instincts of the city population and of the rural *gaucho*. The local leaders and their followers alone wielded any real power. They dominated without possibility of counter-check and an entire generation tolerated this condition during that terrible period.

The local leadership, like the legendary tyranny of ancient Rome, demolished everything which tried to rise above the obedient, passive, resigned and common level. It brutally choked it or forced it to emigrate, and Argentine society had to develop in these anaemic surroundings. There was no possibility of foreign immigration, or of establishing industry and commerce.

The idea of nationality was observed by party passion and the factions were ready to launch out upon some fight upon the slightest pretext. Social classes were divided into irreconcilable parties, the reds or federalists, and the blues or centralists, those who believed in the local leader, and those who detested him. The former were called federalists, because they believed that each locality ought to adopt the kind of government which best suited it; the latter were called the centralists, because in their weakness they leaned upon the influence of the national government in order to give to the whole country a common unified administration of which the local government would be the agent.

Rosas met this situation and put an end to it. After the dismemberment of the ephemeral republic of 1825, and the national convention, and following upon the Brazilian war, the centralist party, deceived in its principles and in its men, closed its doors to counsel and committed the error of executing Dorrego at Navarro. The mass of the rural population resisted the straight jacket proposed by the doctrinaires of the centralist party and in this they showed themselves unrelenting. Then Rosas came into power in the government of Buenos Ayres and also secured control of the situation in the provinces. He succeeded in bringing about the organization of each province with a view to forming the Argentine Confederation. He was entrusted by the federation with the management of foreign relations. He left the interior provinces to

organize themselves after the pattern of the government of Buenos Ayres. Doubtless, during the long quarter of a century while he was dictator, real security and peace were never enjoyed, for the centralist party was ambitious, arrogant and factious, plotting within itself, and when it was not exciting to rebellion, or leading an invasion it was provoking foreign intervention. Finally the terrible and merciless war between the centralists and the federalists developed a state of terror which culminated in the excesses of the year 1840. The dictator treated his adversaries without mercy and they in their turn had none for him. To be strictly truthful, neither party can be absolved from wicked and culpable action. Nor can I shut my eyes to the fact that the great power bred pride, and that pride bred hatred of the subject class. But this prolonged dictatorship saved the country from the anarchy of the petty republics of 1820, it solidified the country into a sovereign entity and it gave to the different parts the cohesion of a nation capable of victoriously resisting the French and Anglo-French interventions. This much is owed definitely to the centralist party, who in this way solved the difficulty traditional to our national organization and so guided along the right road the severest crisis of Argentine history, not only from a political but also from a sociological point of view. The chasm that separated the social classes of the capital city from those of the provincial districts was bridged; the prejudices of blood, of caste and fortune were destroyed and there was established complete equality, where every man was the heir of his own labor and depended only upon his own hands.

After the battle of Caseros, in 1852, the government which had so used and abused oppression and patronage fell, leaving the country, however, in such a condition of stability and internal organization that the different provinces grouped themselves logically under the Convention of San Nicolas. The Argentine Federation was maintained and Urquiza was placed at the head of the government. Despite the local character of the revolution of Buenos Ayres, on the eleventh of September the country at large adopted the fundamental constitution of 1853, at the Congress of Santa Fé. The government of the recalcitrant province of Paraná realized but slowly the new organization, with which it finally incorporated itself, while the nation continued developing in the path established by its constitution. Without losing sight, therefore, of the bitter lessons of this

phase of our evolution, it is but fair to show an appreciation of its benefits.

The characteristic of this intermediate epoch is the very slight introduction of the foreign element. To-day this element is scattered over the land, but at that time such as were firmly rooted in the country, principally in Buenos Ayres, were very few. Of these the English formed the greater part, for the infusion of German blood, which resulted from the distribution of prisoners taken from the German regiments at Ituzaingo, though they included some estimable families constituted a very subordinate factor. English commerce was always respected and in spite of the bitterness produced by the naval interventions, it was left to develop peacefully. But as it did not increase in volume and was never reinforced by that of other nations, it did not become great. The path of social evolution was in the direction of the commingling of the city and rural population, and of the participation of the *gauchos* in public life, either by forming a large and worthy element in the army or by becoming the active nucleus of the popular civic movements. The democratization of the country was complete, for in general, the upper classes of society in the cities affiliated themselves with the centralist party, while the populace supported the federal party. Hence the bloody triumph of the latter brought about its complete predominance and from this period the social and political problems remained more enduring in nature, while differences of blood and tradition were put aside.

Since the constitution of 1853, the social evolution of Argentine has been guided and carried forward by two factors, immigration and foreign capital. Under their influence, the characteristics of the prior period were gradually modified to a certain extent. The administration of Mitre struggled against the difficulties of inadequate means of communication between the distant cities and against traditional custom of guerilla warfare. Force was employed in order to remain master of the field and to break up the resistance which the men of the interior set up against the prominence of those of Buenos Ayres, and a cruel war against Paraguay was undertaken. The ability and consistency of this Argentine statesman was great.

When the passions of his contemporaries had been assuaged, he became the "grand old man" of the nation, growing in stature as

posterity forms its judgment on his policy. That administration, like the following one of Sarmiento, had to cope with two factors, the great uninhabited tracts of land and the survival of ancient custom. On the one hand the different Argentine regions lived in isolation from one another, communication between them being difficult; on the other hand there still survived the custom of local chieftainship and of the constant and armed movements of different political factions, who would set out upon guerilla forays on any pretext whatsoever, raising their banners on high as though their behavior was patriotic and praiseworthy, whereas it was but the vicious habit of a barbaric and backward age.

The administration of Avellaneda continued the task of combating such tendencies by the establishment of the telegraph which would unite all these centers to each other; by the construction of railroads to facilitate communication; and by the encouragement of European immigration for purposes of settlement and in order to mix other races with that of Argentine and so modify its political idiosyncracies by more conservative standards and interests. The conquest of the Patagonian wilds, with the final subjugation of the warlike native tribes of the south, opened and ushered in an era in the Argentine evolution. This occurred contemporaneously with the historic solution of the problem of federalism versus centralism, which silenced forever the old antagonism between the inhabitants of the metropolis and those of the provinces.

From 1880 till the present, the work of multiplying the telegraphs and railway routes has gone on, as has also the increase of foreign immigration. These have produced the desired effect in the social transformation of the country. The telegraph and the railroad have definitely killed the seditious germs of guerilla warfare and of local chieftainship. Local uprisings are no longer possible. The city and rural populations have become convinced of this, and the popular mind is at peace since the generation has disappeared which saw the last revolts of the *gauchos*, and other forms of popular uprising. Foreign capital commenced and encouraged the exploitation of our natural resources. The sugar industry of the northern provinces, the wine culture of the Andes provinces, even the stock raising and agriculture of the river districts have been the combined work of these three progressive elements. Immigration has helped immensely toward this same end, but the settlement of

new lands does not advance by leaps and bounds, but spreads gradually.

Starting from the port of arrival, the stream of immigration continues to spread clinging closely to the land and little by little it mixes with the existing population, inter-breeds with it, fuses with it, and gives a great surging impulse to agriculture, industry and commerce. The social transformation of the river provinces is due to this junction of the two currents as a result of which the *gaucho* of the metropolis of Santa Fé or of Entre Ríos, who, formerly famous for his bold and lawless tendencies, has to-day been so fused with the different foreign elements that all but the memory of this ancient type has disappeared, and the country is covered over with populous settlements, laborious, prosperous and progressive. The great fertility of the soil has returned with interest the foreign capital which first watered it, and has enriched marvelously all who have engaged in its cultivation. The development of the national resources, in turn, has given birth to such conservative interests that it is incomprehensible to the new generation that the former generation could, at the signal of a semi-barbarous chief jump on their horses and, rushing over the fields, kill, pillage and destroy. It is true that the transition has been effected at the cost of producing a certain political indifference in the new generations, which no doubt, will be overcome in time.

The social evolution of the Argentine Republic has finally found its true channel and to-day is in full course of development. In proportion as the foreign immigration continues bringing therewith its happy complement of foreign capital, the country will continue to develop industrially. The astonishing increase in industries, with a total production out of all proportion to the growing population, is only explained by the use on a large scale of the most advanced machinery. But such a metamorphosis spreads from the river districts toward the interior of the country. It does not jump from one point to another without connecting links between them, but always preserves a channel through which a relation is maintained between the different zones already transformed or in process of transformation. The first effect of each infusion of foreign blood into creole veins is to appease the hot political passions of other times, abolish the old institution of the local chieftainship, even blot him from memory and replace it

by an absorption in our growing material interests. These material interests appear to have conspired to bring about that indifference towards the state, as such, which makes men look mistakenly at a political career as a profession which thrives off the real working classes. For, our government both municipal, provincial and national appears to be the heritage of a well-defined minority—the politicians—who devote themselves to politics just as other social classes devote themselves to agriculture, stock raising, industry, commerce, etc.

Public life with its complex machinery of elections and governing bodies has been, so to say, delivered into the hands of a small group of men who at present are not productive of anything new in the general social situation of former times; that is to say, these men form a definite class, moved by the influence of this or that personality. Though it has suppressed the bloody characteristics of the previous period it has not relapsed into their heresies.

Little by little this shadow of the old system changes into that of the "boss" of the settlement and ward. The boss makes his business that of the mass of the voters, he stirs them up from their indifference, makes them go to the polls, deliberately falsifies public opinion, and so wins for himself a political managership, which gives him a marked influence in the back offices of officials and in the lobbies of legislatures. From such methods there spring no little censurable legislation of privilege and a great loss of contentment on the part of the people. When public spirit strengthens and shakes from itself the dust of inertia, and when the laboring classes have passed beyond that first stage of money grabbing, all the inhabitants of the nation will commence to busy themselves about the common weal. The thorn of the "boss" will prick them and they will then be able to form into political parties with unselfish programs and platforms. Every voter will cast his ballot to send to the legislature candidates who uphold the principles of his particular platform. As yet the people have not even reached the gateway to this goal. The past is still seen in full process of evolution and it is not easy to foresee the end.

This does not mean that the present moment of transition is valueless. On the contrary, it is of very great importance, because the social situation in the Argentine Republic is in process of making.

The politicians, now that they look upon themselves as called to stand forth above the heads of the rest of the people, have to be real statesmen. In this historic period, such statesmen, have the personality of the chauffeur who directs one of those swift engines of our century upon its dizzy course, the mechanism of which is so sensitive to the controlling pressure of the hand that it can deftly avoid all accident or cause a catastrophe of fatal consequences. There is required in such a man extraordinary coolness, clearness of vision as to responsibility, perfect knowledge of the course to be run, besides ceaseless vigilance, iron nerve when the time of trial arrives and a complete concentration upon the task. The legitimate tasks of government, in this very grave period of Argentine evolution, require a special training on the part of public leaders. They must study thoroughly the problems of our social evolution, and they must form a clear idea of the necessary solutions. Towards this they must steer with undiverted eye. The necessity of further exploitation of our national resources, the successive expansion of enterprise over zone after zone of our territory, the assimilation of the foreign immigrants by the creole population, the slow formation of a national spirit in the new generation, all these monopolize for the present the national energies and prevent them from turning to other problems. The country is converted, as it were, into a giant boa constrictor. It is entirely given over to the task of converting its food into nourishment, of abstracting the juices from the hard and resisting substances, of passing a multitude of different elements through its living organs so that they may later form a new tissue, adapted to the present and future needs of the country.

From this point of view the present moment in the evolution of Argentine is of immense sociological interest. We are permitted to be present at the visible transmutation of a society, too weak even to direct itself, and absorbed in the fusion of different influences. The direction of this process has been handed over without counter-check to public men who are obliged to dictate and put into practice legislation and administrative rules of every kind, as though they enjoyed absolute power. Furthermore, by the very nature of things, the administrative functions in such periods have to discount the future and effect in the present a series of public works or social regulations which will weigh upon future generations not only

from the point of view of the general finances but even from the point of view of national character. The national transformation of the land with ports, canals, railroads, telegraphs and every sort of means of communication, indeed, with every kind of public work, cannot be accomplished with present resources. A call must be made upon those of the future, by means of loans which will be a burden upon coming generations. If such a governmental policy is not accompanied by a skillful and prudent financial management, the burdens of our descendants will be considerably increased. They may even be committed to a policy that will cause eventual bankruptcy and an inevitable retrogression in the national development. The intellectual metamorphosis of the nation by a proper system of primary, secondary and higher education and by special schools of technical training, in order to form the national spirit of the future type of Argentine citizen, is certainly our most difficult governmental problem, because it is a question of molding the very soul of the nation. To teach different and contradictory systems, to do and then undo, each day changing the courses of study to successively adopt antagonistic standards and show a real lack of fixity in pedagogic methods, is to commit the greatest of all crimes, because it is not a crime against the exchequer of posterity but against its very soul. To accomplish a fusion of the currents of foreign immigration, to sort out the best from them, and to direct the formation of the new type which is being evolved, melting it in the crucible of the school, of the army, and of public life, is perhaps, to-day our task of transcendent difficulty. Such a problem is greater than that of directing the stream of foreign capital which, while fructifying the national soil, clings to it like the countless tentacles of a gigantic octopus and absorbs a great part—sometimes too great a part—of the riches produced only to transmit them through the arteries of the Republic, to foreign nations who employ it to their exclusive profit.

Perhaps no moment in the history of our nation requires a greater combination of qualifications in its public men. The student may contemplate this most interesting transformation, displayed before his eyes like the moving film of a gigantic cinematograph which permits him to grasp at once the different phases of the social problem which it presents. Rarely in the history of humanity has it been possible to contemplate a like spectacle. The United States

presented it a half century ago, to the astonished gaze of men of that day who were but little familiar with social problems. The Argentine Republic is repeating now the same phenomenon, with this difference that it can observe itself and be guided by the experience acquired elsewhere. Other countries of the world, in the future will, no doubt, in their turn repeat a similar evolution, though perhaps in a different environment. But the interesting part of the present moment is that the Argentine Republic is sailing upon the same course in the twentieth century that the United States did in the nineteenth. Our evolution is proceeding with greater care because it is being worked out amid better conditions. We can now take advantage of the costly experience gained by our brothers of the north and so by avoiding many of their errors, seek to escape the shoals upon which they stranded and the mistakes which they involuntarily committed, even though we have in our turn special problems which they did not have. Thus the tremendous politico-social crisis of the North American War of Secession will not be repeated in the southern hemisphere and the Argentine social evolution will not have to solve the profound anthropological problem of the rivalry of races, which, in the United States, arises from the white, black and yellow races, living together side by side.

In Argentine there are no ethnic problems. The social antagonism raised by an arrogant plutocracy on the one hand and poverty stricken proletariat on the other, is not presented as an Argentine problem, because riches are still in process of formation there, and easily pass from one hand to another. A monopoly of riches cannot be prolonged beyond a single generation because with the system of compulsory division of descendants' estates, it soon returns to the common mass of the population. Social conditions in our evolution, present distinct problems from those which characterize other nations and demand, therefore, a direct study on the ground and must not be viewed through the doctrines developed in other nations and amid other conditions. The molding of the national spirit by uniform and compulsory schools and the slow adaptation of the mass of the immigrants to historical traditions and to future national aims, demand much time and they are now in the full process of being worked out. The celebration of the Centenary of our independence has made prominent the fact that such an evolution is much more advanced than one would think. There still

remains, nevertheless, not a little to be done in this direction, though the national compulsory school system and the army conscription are factors of great importance which are working for fusion. But, in the country districts and in those places where the error has been committed of permitting the formation of settlements, homogeneous in race and religion, which regard themselves as autonomous offshoots of their mother country, resisting the Argentine school or any intermingling with the mass of neighboring population—in such districts, the fusion, though inevitable, will be necessarily slower.

All these sociological problems might and should have been exhaustively studied in the history of the United States during the nineteenth century, a history which, as I have said, the Argentine Republic is repeating in the twentieth. Foreign immigration at this time has no outlet more profitable than the River Plate. The doors of North America are gradually being closed, and the other regions do not yet present the same advantages as those offered by our country. The same thing that happens with the excess of population of other nations also occurs with its surplus capital; no other quarter of the globe offers better prospects for the investment of capital and for a greater rate of return. The "manifest destiny" of Argentine depends for the present entirely upon the development of its commercial relations with the rest of the world. It must convert itself into the granary and the meat market of Europe.

The closest bonds of mutual interest unite Argentina with Europe, because being producers of unlike commodities, the European markets consume our exportation and our markets consume theirs. With the rest of America our interchange of trade must be upon a smaller scale, because for more than a century to come we shall be countries producing similar commodities. Therefore, our respective markets will not reciprocally serve to buy the excess of production, but only that which by reason of climate or industrial development is to be found or manufactured in any other country than our own. This has happened to us notably in the case of the United States with its tremendous industrial expansion. In order to fulfill this "manifest destiny," we need *pax multa* with the whole world. We need to give attention exclusively to our development without intermeddling in that of others. In this is summed up everything. Hence our inter-

national policy has to be pacific and neutral; we must be every man's friend, and shun imperialistic fancies. The "splendid isolation" of England fits her condition and her inclination. We must work and we must be allowed to work. Our social evolution still requires a century to acquire a definite contour. Though results may be foreseen from their beginnings, it is not possible to foretell what will be the future Argentine type, physically, mentally or materially.

For the present, the only proper thing for us to do is to devote ourselves exclusively to the exploitation of our resources for we have seen how much effort will be required to assimilate our population, to form a national spirit, to build up a great future nation, to develop an administration which shall be a model of honesty and scientific preparation, and to adapt the republic to its future needs by public works and institutions, and by showing ourselves firm in faith and effective in works.

The present social tendencies in Argentine evolution give promise of a great future for the country. The nation is not hesitating or vacillating before the realization of its manifest destiny. It follows with profound interest the new and colossal social experiment, which is unfolding to the view of the world the different phases of the formation of a nation in whose development the shoals are being avoided where others were wrecked, and which is putting into practice the improvements suggested by the experience of the other nations in order to realize the new evolution easily, prudently, and successfully.

## COMMERCIAL RELATIONS OF CHILE<sup>1</sup>

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The invitation to say a few words to you to-day on the subject of the commercial relations of the republic of Chile has given me genuine pleasure, which is no doubt to be ascribed in great part to the agreeable recollection of the years that it was my good fortune to serve in the American diplomatic service at the capital of this most interesting, sturdy country. I almost despair of being able to present to you any thing beyond a few general facts in the effort to acquaint you in outline with the Chilean environment of trade, and with the purpose of suggesting possible questions which an interest in this part of the country may indicate, and which I will be happy to endeavor to answer.

I have been greatly impressed with the significance of a statement made to the conference a few days ago to the effect that "trade follows the loan." The course of west coast commercial development lends confirmation to this statement, and I am encouraged to pursue the idea a step further and to add that trade follows the loan and the investment. On the west coast of South America both Englishmen and Germans have preceded us with the loan, the investment of capital, and the early cultivation of that enormously extensive field which has hardly been broken by the ploughshare of American enterprise. The South American republics occupying the narrow Andean region along the Pacific coast, constituting about one-sixth of the total area of the South American continent, with about fourteen millions of people, possess a foreign trade of over three hundred millions of dollars, of which the United States has not more than a tenth portion. The English merchant now enjoys the numerous advantages accruing from his early arrival here, and the German, in South America as in other parts of the world, has shrewdly grasped the opportunities presented with the vigor and tenacity characteristic of the the nation. And now, with the prox-

<sup>1</sup>Address delivered at the Pan-American Commercial Conference, Washington, D. C., February 17, 1911.

mate completion of the Panama Canal, our competitors who have preceded us thither turn to the north and labor industriously to strengthen themselves behind the ramparts of trade, the loan and the investment, to meet the inevitable incursion of American commercial undertakings. Everyone who has faith in the sterling intelligence and resourcefulness of our people, and who has seen the superior quality of the American article, cannot fear the ultimate result in the coming struggle; but it should not be forgotten that we must learn the lesson taught by the experience of those who have preceded us in this field, and devote ourselves to a careful, scientific study of the peculiar conditions while in search of the means and ways that will enable us to fulfil the requirements that constitute success in an environment so different from that in which we live.

One of the first things that a traveler passing down the Pacific coast notes is the lack of harbor facilities. There are only one or two natural ports. The ship rides at anchor usually some distance from shore in the open roadstead. Enormous sums of money are yet to be expended to provide the facilities which modern commerce demands. Callao and Valparaiso are to-day the only west coast cities provided with wharves permitting the discharge of vessels under the most favorable conditions. In the other ports, the cargo is unloaded at an anchorage many yards from the shore by lighters brought alongside. To one who has had some experience with the most unpacific Pacific ocean, the importance of this fact in its bearing upon the matter of packing, loss and incidental expense, is at once apparent. But both Chile and Peru are keenly alive to the needs of the present situation, and are making every effort to be prepared to handle the great increase in the volume of trade that will soon flow to their shores through the Panama canal. At Valparaiso, San Antonio, Talcahuano, Corral, Mejillones, and along the Peruvian coast plans of harbor improvements are being consummated and executed with this purpose in view.

Just a word upon a matter that has several times been brought up in the form of questions from delegates—the element of population and language. Some persons manifest considerable surprise when the term *Spanish* as applied so generally and loosely to South America is objected to as inapplicable, just as we might properly resent being called Englishmen. Of course, Brazil is composed of a population for the most part of Portuguese origin. On the west

coast the Spanish language is universally spoken in all the civilized centers, but, although the ethnic origin of this part of the world is essentially Iberian, any one who takes this fact without many qualifications exposes himself on the ground to a multitude of surprises. Thirty-four per cent of the Chilean population is composed of a non-Spanish, European stock which has been assimilated and welded into one homogeneous mass possessed of the sturdy, enterprising qualities that distinguish that admirable race. The South American properly regards himself as possessing as many distinctive marks of nationality that distinguish him from the citizen of the mother country as does the American.

One who returns from South America is often asked in the most matter-of-fact tone: "Tell me something about revolutions you observed when stationed at your last post." During a residence of almost five years in the southern hemisphere, I am then obliged to say, I have never seen the specter so decked out with the paraphernalia of melodramatic exaggeration by the facile pen of our well-informed press, nor, what appears to give cause for even greater astonishment, do I possess the cynicism of those who have acquired the pessimism of Hamlet while brooding over the so-called spirit of *mañana* because they have not been able to delve deeper than superficial appearances. For eighty years Chile has been living under a constitution, the terms of which have been modified only by constitutional means; and during a period of fifty years she has known but one revolution, which, like our own civil war, came to life in violent assertion of constitutional principles of which modern political science takes practical and serious account. Both Chile and Peru are making rapid advance in the most modern directions under their stable and enlightened form of governmental administration.

Chilean foreign trade during the past year amounted to over \$200,000,000, which is only slightly less than Mexico's total commerce with foreign countries, and places Chile in the third rank as to South American total trade figures. The United States sells only about ten per cent of the total amount purchased abroad by Chile; and buys about fourteen per cent of what Chile has to sell. Computing Chile's population at three and one half millions, each person sells to us, according to the last statistical reports available, \$4.60 worth of goods, and buys from us about \$2.75 of commodities. The figures of Chile's foreign trade show a favorable balance of

more than twenty-three millions of dollars. Saltpeter takes about one-third of the total exportation and provides about 65 per cent of Chile's national income. The United Kingdom comes in for the largest share of Chilean trade, Germany following closely and greatly out-distances the United States.

It will be of interest to you to note that Chile admits free of duty the important elements of industrial development—machinery, fuel, tools, and materials. Her chief exports are nitrate, copper, hides, furs (chinchilla), wines, silver, and iron. She also exports considerable quantities of grain, bran, peas, rye, and middlings. Some American agricultural machinery is to be found in the Chilean market, and the trade in threshers, seeders, mowers, and reapers, although greatly limited naturally by the reduced agricultural area in Chile, is good.

In common with other South American countries, Chile's manufacturing industry has not yet reached a point of development which makes it probable that the foreign trade in manufactured articles will be threatened for many years in the future. The Government has made strenuous efforts, and with some success, to establish branches of the manufacturing industry upon national soil; but the greatest difficulties encountered still remain—the lack of capital and the reduced number of competent workmen available. In the meantime, the market is there to be developed almost without restraint. Manufactures of brick, floor tile, cement, clothes, hats, shirts, collars, print goods, different kinds of iron work, leather, carriages and wagons, cigars and cigarettes, matches, etc., are doing a profitable business in the country. The raw material furnished by the country is fully adequate to supply all domestic needs. Industrial Chile has now fully recovered from the terrible results of the wild speculation of 1905-6 and the great earthquake of August 1906, when the hand of death and destruction fell heavy on the rich central zone. This general improvement speaks eloquently for the recuperative powers of the Chilean. Good crops have come to help him and the acreage of cultivated land has increased almost one and one-half million acres in the past twelve months. The more general use of nitrate and other fertilizers and the introduction of improved machinery and up-to-date methods have given splendid results on every hand. Chile exports about 5,000,000 bushels of wheat, produced at an acreage of fourteen bushels per acre on

approximately 2,500,000 acres. In the south of Chile there are abundant forests of excellent timber. Owing to the lack of facilities of transportation and the unquestionable speculative character of many of the companies organized to exploit the timber wealth of this region which disappeared before the great crisis of a few years ago like the dry blade before the prairie fire, little has really been done to bring this wealth within reach of the great centers of population. But much is certainly to be done in the future. It may surprise many to be told that Chile has more forests to its area than any other country in the world.

I have always found the northern provinces of Chile, from the Peruvian frontier to the southern limits of the Antofagasta Province, which came to Chile as the fruit of her victories in the war of 1879 with Peru and Bolivia, to be the most interesting part of the Republic. There lie the most extensive nitrate beds in the world. In all the great stretch of country from the Andes to the Pacific Ocean rain never falls. Not a blade of green is to be seen except in depressions where the saline waters have seeped through from the great cordillera or along a few streams like the river Loa, whose brackish waters flow between the bare hills and over the sandy plains furrowed by the rush of torrents of far-distant geologic ages.

The chief ports of this region are Iquique, with forty thousand inhabitants, the present center of the nitrate industry; Antofagasta, with almost thirty-three thousand inhabitants; Taltal, a port of about eleven thousand, from which copper and silver and nitrate of Cachinal are shipped. These nitrate provinces have a population of about three hundred thousand, distributed mostly in the larger cities of the coast, in the nitrate plants, and in the mines of copper and silver in the interior. The entire population is dependent upon the nitrate industry, in which fifty thousand men are employed, belonging mostly to the rugged lower Chilean class, the so-called "Roto," with a great many Bolivian Indians and a considerable proportion of Peruvians. In 1909 over eighty-four million hundredweight of nitrate were produced and the industry is doing at present well with an improvement in the market quotations and the great increase in the world consumption of the product. The nitrate combination which since the war of the Pacific has controlled the exportation of nitrate from Chile, and which

was under the special protection of the Chilean Government for the purpose of controlling prices, came to an end about a year ago and has not since been renewed, and conditions have remained very satisfactory. Indications are to the effect that a good profit has been realized in spite of augmented production. About forty per cent of the total number of firms engaged in this business are English, followed closely by the Chileans with a quota of production almost equal to that of the British. Germany has lately entered the field with great strength and now claims eleven per cent of the total saltpeter output. American capital has within the last two or three years purchased some valuable properties and it is hoped others may enter the field, as the opening is a good one. The use of nitrate for agricultural purposes in the world at large is being more thoroughly appreciated and in the United States the importations have almost quadrupled in the last four years.

Certainly one of the great obstacles encountered in the past to the healthy development of trade with Chile has been the instability of the Chilean circulating medium. The Chilean merchant pays for the foreign commodity on a gold basis, but his customers buy the goods in the irredeemable paper currency. During the short time in which I was in Chile I saw the value of the paper currency fall from about thirteen and a half pence to eight pence when the crisis following the great earthquake and the effects of universal and unrestrained speculation had brought anarchy into the Chilean market. You will be interested to know that for some years the value of the Chilean peso has remained between the extremes of ten and eleven pence and that the future of the Chilean currency is a bright one, making for that stability which affords every encouragement to the proper normal improvement of commercial relations.

Chile has a parcels post convention with the United States and the amount of business transacted under the terms of this agreement is steadily increasing, with the special advantages such an arrangement presents to the exporter. The customs regulations of Chile are ably administered and the officials are unusually obliging and accommodating toward shippers, but a shipment following the usual course requires the attention of a customs broker and may sometimes be held up many weeks in the congestion of traffic in the warehouses at the port. The advantage of the parcels

post lies in the fact that the consignment goes directly to the consignee without the intervention of the custom house broker and may be opened with a small charge of a few cents for the making out of papers and inspection on the basis of details furnished to the postmaster here covering the weight in kilos., value and kind of goods. The trade by the parcels post shows a steady and considerable increase. During 1909 merchandise to the value of about \$950,000 American currency entered Chile through this channel, of which the United States has not yet taken more than ten per cent.

As regards trade representation along pioneer commercial lines, there are only a few manufacturers' representatives active in Chile, and there are several commission houses doing business on the basis of two and a half to five per cent. Undoubtedly the facilities for the extension of trade offered by the firms already established in the field are great, but the sphere for the development of trade through the medium of commercial travelers is one that should be carefully examined. Before sending a representative to Chile the most conservative and safest way undoubtedly is to go down to the country and look over the field of possible opportunity and then, if the results of this investigation are favorable, to send a representative down to make a personal canvass.

Here something ought to be said regarding the qualities that make for the efficiency of the representative. The South American has susceptibilities which are as strong as our own, but which sometimes manifest themselves in a rather unexpected way, and along quite different lines from those we instinctively anticipate in the United States. Except in Valparaiso, English is little spoken in the trade centers of Chile, and no one should go to South America with the idea of covering the entire situation without possessing a knowledge of Spanish, and without a clearly marked disposition to take serious account of differences of habit which are as rational and well founded to the South American mind as they appear unjustified and even absurd through the spectacles of American training.

## CLOSER COMMERCIAL RELATIONS WITH LATIN-AMERICA

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By BERNARD N. BAKER,  
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The following suggestions for the development of our relations with the countries of Latin-America might be offered:

The first and most important question of policy for our country to pursue is the securing of the confidence of our sister republics in the south by carrying out in spirit as well as in letter any agreements or treaties we may make with them or with other nations. In this connection it may be said that the action of our government in acquiring from the Republic of Panama the right to build the Panama Canal was not above reproach. At the time we took over through purchase from the French company the rights that belonged to them, there can be no question but that we encouraged the citizens of the Republic of Panama to secede from the United States of Colombia so that we might secure through treaty with the new Republic the rights necessary to enable us to carry forward the great work of building the Panama Canal. Although the undertaking and putting through of the canal was of prime importance, the way in which the transaction was accomplished is not an episode of which we should be too proud. Looked at from the broadest aspect of our international obligations, our action was not above criticism. Colombia was unjust and unreasonable and expected to secure from the United States undue advantages and compensation, but this did not justify us in acquiring, practically by force through our superior resources, what should have been acquired by treaty agreement. We should now seek to establish closer commercial relations with the Republic of Colombia, even to the extent of conceding to it some advantages in the use of the Panama Canal, such as including its coastwise commerce as we do that of the Republic of Panama in the free use of the canal. For Colombia likewise has a large coast line on both the Pacific and Atlantic oceans.

By treating Colombia in this magnanimous spirit we would lead the other Latin-American republics to believe that they can always depend on the fairness and justness of our country.

Second: We entered into a treaty with Great Britain in good  
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faith that no concessions would be made in the use of the Panama Canal to the ships of any nation that were not equally extended to the ships of all nations. This implied, certainly on our part, a moral obligation that in the foreign commerce of the world, and our own included, we would take no undue advantage of our rights in the Panama Canal. This clause in our treaty was a mistake. The United States in spending the millions necessary to build this canal should have, as regards its foreign commerce, some advantages because of this enormous expenditure. It is very doubtful whether the canal will ever be profitable directly from tolls, or pay anything like a fair per cent upon this enormous cost—at least for a great many years to come.

A number of bills have been introduced in Congress to give free tolls to ships under our own flag engaged in foreign commerce. We have a perfect right to give free tolls to ships engaged in our coastwise commerce. But everyone must concede that Congress should do nothing which might in any way be construed as a violation of this treaty agreement. We should therefore discuss the matter frankly with England before we take any action of that kind. It is possible that by so doing, we might secure a modification of an unfortunate agreement and thus obtain relief without any arbitrary action. The confidence which our sister republics have in our integrity would be strengthened by such action and they would be willing in the future to trust us more extensively.

Third: A most important feature to encourage the development of closer commercial relations will be the establishment of such regular lines of communication in steamships, under our own flag, as will carry to the ports of South America some evidence upon which to base a belief that we are a maritime and exporting nation. I know in some of the countries of South America they do not believe we can build and run ships; they think that we are not a maritime nation. Other nations, such as Japan, come to them and show them by actual demonstration, in the ports of their country, ships built, owned and manned by the Japanese under the Japanese flag. I allude now particularly to ports on the west coast. The same would be true of all ports on the eastern coast, where seldom, if ever, is the American flag seen on a ship of our country. Consequently it is hard for the nations of South America to realize that the United States can build ships.

Fourth: The establishment, by citizens of the United States, of banking facilities throughout our Latin-American republics will be of inestimable benefit. This is not a question, of course, for the United States Government to take up, but it is a question that I think will be very largely influenced by the establishment by the government, on whatever lines are fair and just, of regular steamship communication under the flag of our country.

Fifth: To-day the conditions existing in Mexico afford us a striking example of the evils that may arise from a lack of proper understanding of all the conditions that go to make up closer relations between the two countries. The Republic of Mexico for many years has offered opportunities and complete protection to citizens of the United States wishing to make investments for the development of its country, and a large amount of capital has been invested in Mexico, in many cases with very beneficial results to the citizens of both countries. At the same time we have entirely neglected means of communication by regular lines of steamers under our own flag, and the result has been that we find another nation, Japan, studying out how she may wisely and efficiently develop closer commercial relations with the Republic of Mexico by establishing lines of steamers under her own flag.

A great deal of the present discussion in the press has been brought about by the establishment of lines of steamers under the Japanese flag at Salina Cruz and a concession by the Mexican Government to this line of \$5,000 a voyage. Mexico has given to an American steamship line, The American-Hawaiian Steamship Company, a special guarantee against loss for a line across the Isthmus of Tehuantepec.

Thus we see the remarkable situation of an American line of steamers receiving aid from the Mexican Government, and also a Japanese line whose interests are so directly opposed to our own, particularly in the development of the Pacific coast trade. The United States should so encourage our merchant marine as to obviate the need of establishing these close relations with Japan. Were there facilities under the American flag, the Republic of Mexico would be glad to extend to us, instead of extending to Japan, such assistance, and thus draw closer our commercial relations.

There is justification for the belief that regular lines of communication with Latin-America by steamers under our own flag

would develop closer relations. In this connection the President of the United States in his message of December, 1909, spoke as follows:

"I earnestly recommend to Congress the consideration and passage of a ship subsidy bill looking to the establishment of lines between our Atlantic seaports and the east and west coast of South America as well as lines from the west coast of the United States to South America."

Presidents McKinley and Roosevelt both recommended such legislation; as did also Postmasters General Cortelyou, Meyer and Hitchcock; Secretaries of Commerce and Labor Cortelyou, Straus, Metcalf and Nagel; also Admiral Dewey, President of the General Board of the Navy Department. Of the organizations: The National Board of Trade, National Association of Manufacturers, The American Bankers' Association, The American Cotton Manufacturers' Association, and the boards of trade and chambers of commerce of the principal cities of the United States. By adopting resolutions they endeavored to encourage the establishment of regular American lines of mail steamers to South America. As to foreign countries, and especially via the Panama Canal, Spain has provided by law for compensation of \$1.90 a mile for steamers of thirteen knots from Barcelona to the west coast of South America and to San Francisco through the canal when completed. A bill is pending in the Italian Parliament for a similar compensation. Japan has already established a line to the west coast of South America. I should like to quote the following report of Mr. C. J. Arnell:

"A subsidy of 690,511 yen annually for five years is provided for a Japanese line to South America. There are to be six voyages a year, so the subsidy amounts to \$57,000 a round voyage of 25,000 miles, or as near as may be \$4.60 per nautical mile outward bound. This is the rate paid to twenty knot mail steamships of 8,000 tons or over under our ocean mail act of 1891. The Japanese ships, however, are to be only thirteen knots and range from 5,200 to 9,300 tons." In his admirable report on the Japanese legislation of 1909 (S. Doc. 152, 61st Cong., 1st sess.) Mr. C. J. Arnell, of our embassy at Tokyo, says of this South American line: "The government's proposal to open a regular line to South America met with severe opposition in the Diet and considerable criticism from the press on the general grounds that it was contrary to the new policy of finan-

cial retrenchment to subsidize an enterprise whose immediate undertaking was not essential, and which did not promise to be profitable for some years to come. As already reported, however, the government seemed to attribute more than ordinary importance to the line and, after vigorous action, succeeded in effecting a compromise with the Diet whereby the subsidy for the present year (about 500,000 yen) was retained in the budget. There is no evidence, however, to show that the motive for the establishment of the line is more than purely commercial, and the general opinion seems to be that it is the outcome of investigations recently made in South America by Mr. Uchida, director of the commercial marine bureau. The immediate subsidizing of the line was evidently desired in order to participate in what is believed to be a promising field—the proposed establishment of regular steamship services by the Hamburg-American, Norddeutscher-Lloyd, and a certain Chinese company. The new Japanese line will make regular calls at Hongkong, Moji, Kobe, Yokohama, Honolulu, Salina Cruz and Mazanillo (Mexico), Callao (Peru), and Iquique and Valparaiso (Chile)."

"On October 25, 1909, a bill was passed in the Mexican Congress to grant from the Mexican treasury to this Japanese line a subsidy of 10,000 pesos (\$5,000) a voyage, or \$60,000 annually.

"For fourteen knot steamers to Argentina, once a month, Spain is willing to appropriate at the rate of \$4.60 a nautical mile outward, the same rate as for sixteen knot American steamships defeated in the House of Representatives last March. The recent subsidy legislation of other countries in fact shows that various shipping propositions which have passed the Senate of the United States during the past ten years, and failed in the House, have been studied elsewhere and that some of their features, adapted to varying national conditions, have been incorporated in the laws of other countries. Spain has already provided for a subsidized line through the Panama Canal."

So important does this question of the establishment of lines of steamers, under the flags of their own countries, appear to foreign nations that to-day they are spending over \$49,000,000 per annum for this purpose. We are doing little or nothing with the Latin-American countries, where the greatest opportunity to-day exists for the development of our export business.

## IMMIGRATION—A CENTRAL AMERICAN PROBLEM

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No problem confronting the five Central American Republics is of more vital import than that of immigration. In its consideration the student of international economy must quickly realize that the future of those nations will be materially shaped by its correct solution.

This conclusion is borne home to the earnest observer of political affairs of Central America in remembering their experiences with problems which have been brought about entirely by immigrants. Indeed, their political entity has not infrequently been threatened by developments which directly resulted from complications caused by the immigrants from Europe or America. Fear of intervention, the "bugaboo" of every patriotic Latin-American, is omnipresent and is a factor to be seriously reckoned with in the consideration of the subject of this article.

In connection with the growing interest in Latin-American affairs throughout the United States, North Americans have an interest in the proper working out of the general subject hardly second to that of the people of the Central American Republics. This is attributable not only to the growth of international commerce, but more particularly in view of its relation to the general American policy towards Latin-America. The development of great American industrial corporations which have extended their operations to Central America is another factor. This is due to the fact that innumerable employees of such corporations have found it necessary to establish their homes in the Central American Republics. It will be observed that the character of these men, their relations with the local and national officials of the various republics and their recognition of the local customs will tend greatly to shape the destiny of those countries. The solution of the problems arising out of the concessions to such enterprises, the treatment of foreign investments generally and the immigration of their employees will engage the thought of all earnest and serious gov-

ernment officials of Central America. Not infrequently has it happened that serious international disputes have arisen with foreign corporations and their representatives regarding the interpretation of the laws relative to concessions, and disinterested observers have often attributed the blame to the local representatives who by their antipathy to the customs, laws and ideals of the nation provoked disputes which might otherwise easily have been avoided by the show of a little tact or judgment on the part of the foreigners. In this connection it is interesting to note that to Americans has been attributed the greatest criticism for such abuses. It can be readily seen, therefore, why the statesmen of Central America should be concerned with the coming into their midst of an element which may prove on the one hand a most potent factor in the development of their resources, in the administration of their laws and in the general enlightenment of the people, while on the other hand it may prove a most serious and disturbing factor.

Another phase of this question is represented in the agitation relative to the exclusion of the oriental races. In the light of recent developments the attitude of the Central American Republics towards that issue is as vital to North Americans as it would be to the citizens of the various republics themselves. The want of an understanding between the Chancellories of Central America and our own State Department on this question might lead to the gravest consequences. Fortunately there appears to be no danger of this at the present time in view of the present attitude of the governments of the various countries toward this matter.

The great necessity for immigration into the Central American Republics is recognized where the matter has been seriously investigated. It is desirable for a variety of reasons, but particularly so because of the lack of inhabitants. Save in one republic, that of Salvador, the number of people is far out of proportion to the extraordinary area of these countries. Especially so is this true of the Republic of Honduras. In its vast territory of 120,000 kilometers it has only 400,000 inhabitants, although capable of supporting several millions. Equally true is this of Nicaragua which has but 500,000 within its confines, covering an area of 128,000 kilometers. The population of Costa Rica is but 400,000—insignificant in comparison with its territory of 59,600 kilometers. The Republic of Guatemala is the only exception to this general

rule, having about 2,000,000 inhabitants compared to its territory of 150,000 kilometers.

The wonderful natural advantages possessed by the Central American Republics afford extraordinary possibilities. Nature is so provident that but slight human effort is required to make her yield many fold. With the single exception of the Republic of Costa Rica, which is on a strong financial basis, and also possibly Salvador, the economic situation in the other republics leaves much to be desired. For this condition certain foreigners are in a large measure responsible, notably in the case of Honduras which is still suffering from the effects of financial operations that were perpetrated by a number of unscrupulous English financiers.

In discussing the general character of the immigration desired, it is necessary to consider the kind and number of immigrants that have already established themselves in Central America. This is rather difficult, owing to the lack of a recent census. The following statement, based on official reports is believed to be approximately correct:

	German.	French.	American.	English.	Spanish.	Italian.
Guatemala	.... 7,500	1,100	1,850	1,200	1,100	1,300
Honduras	.... 450	300	1,975	1,500	450	200
Nicaragua	.... 250	100	525	750	200	150
Salvador	.... 475	1,250	250	1,200	600	450
Costa Rica	.... 525	300	1,140	350	500	200

Analyzing them it will be noted that of the foreigners resident in Central America certain nationalities predominate. Thus in Honduras there are more Americans than those of any other nationality. In Guatemala the Germans are exceedingly numerous, while in Salvador the French predominate. A further consideration of these figures will lead to an inquiry as to the pursuits or means of livelihood of these immigrants. The following is an outline of the industries and pursuits in which the various nationalities are engaged:

Mining .....	English, Americans
Railways .....	English, Americans
Plantations .....	Germans, Americans
Banks .....	English and French
Dry Goods and Similar Lines .....	French

Hardware, Agriculture and Machinery .....	Germans
Groceries, Liquors, Hotels .....	Spanish
Professions .....	Germans, Americans, French

It will be readily understood that the foreigners resident in Central America have a most vital effect on national problems, particularly on that of finance. It must be apparent that the intelligent co-operation of foreigners in the solution of local problems is of vital importance.

The physical condition of the countries must be considered in discussing immigration, as it has an immediate and vital bearing on the subject in hand. In reality this factor probably exceeds in importance all others, although the kind of inhabitant with whom the immigrant will have to associate, the commercial opportunities and means of livelihood generally are likewise very serious considerations. In Central America is found practically every variety of climate from the hot lowlands on the coast to the temperate zone of the uplands or plateau regions, the vegetation of which never fails to delight the stranger. It is quite natural, therefore, that the foreigners who have thus far established themselves in Central America have sought residence in the uplands which are not only more healthful but where life is much more agreeable than in the hot coast towns. Rare, indeed, is the traveler who fails to praise the climate of Guatemala City, Tegucigalpa, Honduras or San Jose, Costa Rica. Innumerable other towns of similar type are found scattered throughout the hills and mountains, and as the journey to the warmer regions is such a short one, the foreigner finds the highlands the most logical place for his home.

In the consideration of conditions effecting immigration to Central America it will be noted that these differ materially from those of other countries, particularly the United States. At the ports of this country arrive annually more than a million people, the great majority of whom are illiterate and unskilled. Even in the United States opinion is divided as to our ability to assimilate this vast influx of foreigners. The reason for its mention in this connection is that conditions may be contrasted with those prevailing in Central America.

It is safe to say that an immigration of a similar character to that now coming into the United States to the Central American

Republics would menace, not only the republics themselves, but serious danger would in turn threaten the United States, paradoxical as this may seem. Its evil effects would be quickly recognized in its effect on the governments themselves, as the conditions that prevail in Central America would not permit of such assimilation. If an immigration of that character were turned in the direction of Central America for any length of time, there would be serious danger of the population of these republics being outnumbered and the establishment of large colonies of illiterate people would be a serious menace to each of the republics as well as to all America. The problems confronting our own immigration officers, such as the exclusion of diseased, infirm and pauper immigrants, would become even greater ones for the statesmen of Central America.

Happily the danger from this source is comparatively small. This is due in a measure to the fact that such immigrants would find it exceedingly difficult to compete with the native peasant type classes who up to the present time have represented the element which has performed the labor of the country. As soon as economic conditions in Central America warrant an immigration of the character which has had such a marked effect on the republics of Argentine, Brazil and Uruguay in South America, the question will be a far simpler one. The earnest student of this matter is forced to the conclusion that sooner or later the Central American governments will be compelled to adopt methods similar to those now in vogue in South American countries in order to insure a proper development of their own countries. In the solution of this matter lie to a great extent the possibilities of the future, since it is logical that the economic prosperity of the countries will reflect great credit upon its statesmen and the incentive to bring this condition about is thus greater.

However, it must not be overlooked that the conditions under which the peasant or native classes of Central America live are far from attractive to the foreigner. Their ability to earn a reasonable wage is also greatly affected by the distressing economic situation, since wages are very small and it has been necessary for the native to sustain himself and his family on the merest pittance. Although their requirements are comparatively limited, due to the prodigality of nature, education and better environment would exercise a very material effect on this great class now forming such

an important part of the population of all Central American countries.

The development of immigration is to be greatly desired, since the indirect effect which that influence would exert cannot be over-estimated. Consequent to the development of the natural resources and industries of the countries will come an increasing scarcity of labor. The employment of coolie labor which may then be attempted, as it has been in other countries, is fraught with danger to all concerned and is of equal concern to the people of Central America as to the residents of the United States. It is to be supposed, of course, that any contracts with the oriental employers of labor, will be drawn in such terms that there can be no evasion of the conditions stipulated therein. Unless this were done there might result the establishment of oriental colonies in America with the consequent problems which would unquestionably arise with reference to sanitation, government, etc. It is not unreasonable to believe, however, that the difficulties of such a situation will be obviated by careful administration and will doubtless be altogether avoided.

The immigration which has been encouraged, even under present conditions, to some extent has been that of a certain type of workmen, the skilled mechanic, small capitalist or individual with large means. As in practically all Latin-American Republics the individual without means of support during the first six months or year's residence is exposed to risk of non-employment, hence the immigrant should not fail to provide himself with sufficient funds to maintain himself during that period. While up to the present time the individuals who have established themselves in Central America have been largely of the investing classes, they were in many instances upon their arrival but indifferently provided with means. The most successful, generally speaking, are those who have been sufficiently well provided with funds with which to invest in mercantile, agricultural or mining ventures. In this connection a sketch of the immigrant, his purposes, etc., is quite pertinent. The Spaniard, of which nationality many have established themselves in Central America, is generally quite poor upon arrival. The business in which he is most frequently found is that of breadstuffs. By dint of energy, perseverance and economy he frequently rises to positions of importance in the community.

The Italian is of a similar type and he too is an important factor in the branch of food supplies, restaurant businesses and similar vocations. The Frenchman usually engages in the dry goods line, and of this class there are many examples in every large city of Central America. The German may be said to dominate the hardware trade, and with more frequency than any other nationality engages in the plantation business. The development of the mineral resources, the organization of banks and railroads has been to a considerable extent controlled by the British. The Americans have to a great extent been interested in all the vocations mentioned, but especially in mines, railroads and plantations, while the obtaining of concessions for the taking out of timber and valuable dyestuffs generally has been almost exclusively monopolized by them.

The truism that trade follows the flag is another vital reason for American interest in the immigration to Central America. The great business of Germany with Guatemala, the commerce of which is almost exclusively in the hands of Germans, is an instance of this fact. Reference may also be made to the trade which France enjoys with the Republic of Salvador, the merchants of whose capital, San Salvador, are largely French. Notwithstanding the proximity of Central America to the southern boundaries of the United States, it behooves the merchants of this country to bestir themselves if they are to enjoy a proportionate share of the business of Central America; and the encouragement of American immigration to those republics will result in an increased demand for the products of the home country.

Another phase of the problem of immigration is that of the social side, for the natural characteristics of foreigners frequently find expression in their relations with those around them. The German in Central America as in other lands where he takes up his residence, adapts himself perfectly to the native customs and conditions of the people. He is invariably a strong factor in the social economy of his adopted home and the ties are frequently strengthened by his intermarriage with natives. This is to a lesser extent true of the French, while the English and Americans are noted for maintaining their racial and national unity.

Reference has already been made to the misunderstandings and difficulties which are likely to arise by reason of the failure of Americans to recognize the nice social distinctions so clearly

drawn by Latin-American people. The foreign resident, no matter of what nation, by a thorough understanding of the people, a recognition of their customs, and an acquaintance with the language of the people, will accomplish for his country far more than any expression of friendship through diplomacy or treaty. This phase of the subject is one with which the people of the United States are particularly concerned, since by the encouragement of citizens of their own country to recognize this basic principle they will do more to allay the antipathy on the part of Central Americans towards the United States than by any other means which might be taken.

This article is by no means an attempt to offer a solution for the vexing subject of immigration into Central America. It is merely an effort to point out certain facts which are of the greatest weight in dealing with the topic. The problem is one of tremendous import. Indeed, too much importance cannot be placed upon this question. The intelligent consideration by Americans of the local issues involved, of its general principles and of its relation to the United States will do much towards contributing to a better understanding between the people of Central America and those of the United States.

## BOOK DEPARTMENT

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### NOTES

*American Labor Legislation Review.* Pp. 143. Price, \$1.00. New York: American Association for Labor Legislation, 1911.

The first issue of a new quarterly publication, the "American Labor Legislation Review," has just been issued by the American Association for Labor Legislation. It contains a series of articles invaluable to everyone interested in the social problems that agitate society to-day. Among the contributors to this first issue are Henry W. Farnam, Charles R. Henderson, Mrs. Florence Kelley and others of prominence in the field.

**Baikie, J.** *The Sea Kings of Crete.* Pp. xvi, 274. Price, \$2.00. New York: Macmillan Company, 1910.

A popular book on Crete which would give a connected account of the discoveries of the last fifteen years has been much desired, and that need is here met. The writer is not an archæologist, and he is apparently unacquainted with the literature of his subject written in any other language than English. Thus the work of the Italians, Halbters and Pernier is known only from notices of it in English; and the important articles of the Germans, Dörpfeld and Kors not at all. But the writer has, nevertheless, compiled a very readable book. After describing the work of Schliemann, he takes up the excavations in Crete at Cuossus, Phæstus, Hagia Triada, and lesser sights; discusses the relations of Crete with Egypt; the destruction of the Cretan cities; the periods of Minoan culture; Minoan writing, etc. The last half of the book is by far the best; the account of Minoan pottery is especially good. The chief criticism is that the writer often follows the first reports of an excavation, instead of the latter corrected reports, and this leads him to make occasional mistakes. The writer, too, should revise his spelling of proper names, and not give us Knossos at the same time with Mycenæ; and Aithra along with Ægeus. Nor should we have such hybrids as Phæstos and Amyklæ. Yet, in spite of these defects, the book serves a useful purpose and will no doubt be much read.

**Brindley, John E.** *History of Taxation in Iowa.* Two vols. Pp. xxvi, 969. Iowa City: State Historical Society, 1911.

In this era of state and local tax reform, the assiduous and sincere seeker after truth about fiscal machinery is often disappointed in works on taxation; because while the books cover the field they make no practical addition to a constructive program for the renovation of state and local revenue machinery. It is a great satisfaction to find in this voluminous but clear and interesting monograph on Iowa fiscal conditions a real program for the reconstruction of the antiquated system of taxation which prevails throughout the United States within the local divisions of the state.

This two-volume work has been written from an historical point of view. Its great value, however, lies in its forceful and illuminating exposition of the faults and difficulties of the present system. This is followed by a clear-cut argument for the improvement of the fiscal machinery through certain well-defined and concrete changes.

Beginning with an exhaustive account of the general property tax, the author reviews the various special forms of taxation in Iowa's fiscal system, and shows in the case of each the phases of evolution through which they passed. The second volume begins with a survey of railroad taxation—a scholarly and illuminating monograph in itself. Following this is the most interesting and valuable part of the whole work, namely, the general conclusions of the writer in regard to the whole system of taxation, based upon a wide range of experience and study. The revenue system in his own state is analyzed in a way that clearly reveals its defects and advantages. By a comparison with other state systems, the reader is permitted to judge for himself of its merits or demerits.

Aside from the clearly outlined picture of actual conditions, an extremely valuable contribution is made in a well-arranged set of reforms which the author presents as being applicable everywhere. He gets near to the heart of the whole trouble with fiscal conditions by declaring that what is most needed is a synthetic program of legislation and administration, based on the fundamental idea of centralization of state and local revenues. In other words, decentralization is a hodge-podge scheme—almost worse than no scheme at all, since little regard is paid to co-ordinating different sources of revenue in relation to the economic conditions of the particular commonwealth. As an added argument for this program, the advantages are shown of an expert permanent tax commission which looks to the regular readjustment of the fiscal machinery with the constantly changing economic conditions—a status that should always be desired and may be attained if the problem is properly met. The work, which is distinctly sane in both argument and treatment, sheds new light on many fiscal and economic fallacies that still vex the average American commonwealth.

**Brown, D. W.** *The Commercial Power of Congress.* Pp. ix, 284. Price, \$2.00. New York: G. P. Putnam's Sons, 1910.

**Bruce, C.** *The Broad Stone of Empire.* Two vols. Pp. xlvi, 1066. Price, \$9.00. New York: Macmillan Company, 1910.

**Bull, C. L.** *Under the Roof of the Jungle.* Pp. xiv, 271. Boston: L. C. Page & Co., 1911.

In this book the author has combined his skill as an artist with the charm of a story teller and the knowledge of a naturalist. It is a delightful account of some of the animals and plants in the wilds of British Guiana. With sketch-book and color box, the author spent hours in the jungle and on the rivers studying the life about him. Although the habits and lives of the animals are given in the popular story form, there is no attempt at "nature-faking." With him we study the wonderful plants, watch the monkeys

racing through the tree-tops and listen to the roar of the jaguar at night-fall. All through the stories runs the sinister thread of the struggle for existence, each animal mercilessly preying and being preyed upon. The descriptions are made vivid by many excellent illustrations.

**Calvert, A. F.** *Catalonia and the Balearic Isles.* Pp. xv, 363. Price, \$1.50. New York: John Lane Company, 1910.

Like the other volumes of this detailed series descriptive of the lions of Spanish architecture, over half of this volume is given to excellent pictures of the buildings described. Barcelona itself is shown as a great modern industrial city rapidly outgrowing its mediæval character, though wise enough to preserve its legacy of fine old buildings. For the traveler, however, the greatest charm of Catalonia lies in the too often slighted provincial towns. Gerona, Tarragona, and especially the Balearic Isles and the monastery of Montserrat are still in the period when the mediæval and ancient dominates the modern. Anyone who wishes to appreciate Catalonia either at home or with this book as a traveling companion will have cause to be thankful to the author.

**Chambers, J.** *The Mississippi River and its Wonderful Valley.* Pp. xvi, 308. Price, \$3.50. New York: G. P. Putnam's Sons, 1910.

**Chittenden, H. M.** *War or Peace.* Pp. 273. Price, \$1.00. Chicago: A. C. McClurg & Co., 1911.

General Chittenden has given the arguments for peace as well by dissecting and replying to arguments for war as by marshalling the evidence against armed conflicts. Particularly happy is the use of statistics which have been woven into the discussion in such a manner as to stand out strikingly, without at any time, wearying the reader. Many of the ideas are similar to those contained in Europe's Optical Illusion, to which the author makes a laudatory allusion (p. 204). World federation is proposed as the solution of the problem of disarmament. In the meantime, the author would have us increase our naval strength to be prepared for possible conflicts which lower on the horizon, and so as to be in a position to aid more effectively the cause of peace. Although it can lay claim to little originality, the book is interesting and readable. General Chittenden may be considered to speak with authority upon military matters as he is a graduate of West Point and served as Chief Engineer of the Fourth Army Corps during the Spanish-American War.

**Choate, J. H.** *Abraham Lincoln and Other Addresses in England.* Pp. xii, 293. Price, \$2.00. New York: Century Company, 1910.

Mr. Choate's services as Ambassador to Great Britain were brilliant. The instructions given him by President McKinley "to promote the welfare of both countries" caused Mr. Choate to prepare with special care a series of addresses upon distinguished Americans—Lincoln, Franklin, Hamilton, and Emerson—and upon our two most notable institutions, the Supreme Court and our public educational system. These essays together with five other less formal addresses are brought together for publication. Mr.

Choate's learning, his rich life experience, his mastery of English and of the art of public speaking, and, most of all, his dignified patriotism combine to give charm and force to these addresses. These qualities of Mr. Choate were, possibly, put to the severest test and were shown in their strongest light in some of his responses at notable dinners given in his honor. The address at the dinner given Mr. Choate by the Bench and Bar of England at Lincoln Inn, and the response made at the farewell banquet given him by the Lord Mayor of London may well be studied as models of grace and dignity.

**Davenport, E.** *Domesticated Animals and Plants.* Pp. xiv, 321. Price, \$1.25. Boston: Ginn & Co., 1910.

The title of this book does not adequately express the trend of its substance, for Dean Davenport has here presented the problem of character transmission and evolutionary development in a most lucid and attractive fashion.

The materials dealt with are primarily domesticated animals and plants, but this is made the pedagogical basis for interpretation, in terms of common experience, of the philosophical phases of heredity. Even that somewhat recent departure in evolutionary study, the statistical treatment of heredity—yet but imperfectly understood by many biologists, is presented in intelligible fashion to secondary school pupils.

Davenport has drawn freely both from Mendel's and from Pearson's school and unhesitatingly combines data expedient to his ends from either of these schools. He has given the whole matter a marked humanitarian "twist," thus conveying knowledge and impressions applicable to man which, from the nature of the case, could not be taught directly. Five chapters on the origin of domesticated races of plants and animals close the volume.

**Diefendorf, Mary Riggs.** *The Historic Mohawk.* Pp. xiv, 331. Price, \$2.00. New York: G. P. Putnam's Sons, 1910.

The Mohawk Valley as an example of a "gateway" to the interior of a continent has become almost a classic in America, and its significance to the development of the country and of the State of New York is well known. A satisfactory account, however, of the settlement and political and economic development of this interesting valley has not been at hand. This volume gives a connected account of the history of the valley from the days of the Iroquois to the building of the Erie Canal. Written from the point of view of the local historian and with local readers in mind, there are many omissions that the general reader regrets, especially in regard to the economic activities of the people. Yet, on the whole, the life of the early settlers is well depicted, and many facts of interest can be found concerning early trade and commerce and social customs as well as the more striking events of the history of settlement and warfare and early struggle. It is to be regretted that the author has not more often cited her authorities, as some of her statements are open to question.

*Documentary History of American Industrial Society.* Vols. VII, VIII and IX. Pp. 1078. Cleveland: A. H. Clarke Company, 1910.

**Domville-Fife, C. W.** *The Great States of South America.* Pp. 235. London: G. Bell & Sons, 1910.

This hand-book covers the leading states of South America, Argentine, Brazil, Bolivia, Chile, Peru, Paraguay and Uruguay. To these is added a chapter on Guatemala, because of the importance of that state in the affairs of Central America.

Much information in brief form is given concerning each country, but its conciseness makes it none the less readable for one interested in South America. The main topics covered are a general description of the country and its climate, chief towns and cities, resources, industries, means of communication and transportation, commercial development and relations, and a discussion of the conditions surrounding government concessions. The point of view in treating these topics is, first, to give an idea of the state of progress in each country, and second, to indicate the chances for the profitable investment of capital and the extension of commercial activities in South American fields. The fact that these items are considered from the British standpoint makes the book no less valuable for the American capitalist or exporter. Many American business men would find this volume well worth consulting.

There is a welcome absence of statistical data such as is readily obtainable from any one of several sources. By this wise omission much valuable space is saved for the plain statement of less easily secured and more valuable information. The book is a concise account of resources and conditions and is greatly enhanced in usefulness by the good maps accompanying the different chapters. Nearly fourscore well-chosen illustrations add attractiveness to this very successful volume.

**Dugdale, R. L.** *The Jukes.* (4th edition.) Pp. v, 120. Price, \$1.50. New York: G. P. Putnam's Sons, 1910.

Again this well-known scientific study is republished with an introduction by Franklin H. Giddings, calling attention to the importance of this and similar studies. It is now generally accepted that there are in the United States, as in various countries, a number of racial stocks perpetuating inherent defects. No more complete study has ever been made than that of the Jukes—a New York family—yet it is unfortunate that in this latest edition statistics and conclusions were not prepared along more modern lines. While they already insure satisfactory results, they might, nevertheless, be made much more effective by a thorough revision.

**Eastman, C. A.** *The Soul of the Indian.* Pp. xv, 170. Price, \$1.00. Boston: Houghton Mifflin Company, 1911.

For many years a Sioux Indian (Ohiyesa) the author of this volume has, by essays and speeches, attempted to interpret the life of the Indian to the white man. This little volume will, therefore, be found of great interest, for, in it the author seeks to describe the inner motives of the Indian's life. The attempt is worth while and the result is valuable, even though one wonders at times how much of it is really so and how much of it is the

reflection of the man upon boyhood conditions, of a man, moreover, the civilization of whose people has been largely destroyed and who naturally idealizes much of the old life and attitude.

**Elderton, W. P. and E. M. Primer of Statistics.** Pp. vii, 86. Price, 60 cents. New York: Macmillan Company, 1910.

To those who wish to become familiar with the simple principles and methods involved in the study of statistics, with only a minimum of the mathematics of the science, this little volume will be welcome. The authors believe, and rightly, that a study of averages or types, with the variations from type and a method of measuring these variations, together with a study of the subject of correlation, form the fundamental subject-matter in statistical science. The discussion of principles is based on concrete illustrations which are carried from chapter to chapter in a clear and logical manner. The book suggests the best method of approach to teachers of statistics.

**Fairlie, J. A. *A Report On the Taxation and Revenue System of Illinois.*** Pp. xv, 255. Danville, Ill.: Illinois Printing Company, 1910.

This very carefully worked out report of the Tax System of Illinois was prepared for the benefit of a special Tax Commission called to investigate the frequent complaints as to inequalities, and to consider the efficiency of the state systems. In comparison with the reports of the various permanent state tax commissions, this volume is noteworthy for its excellent presentation of facts, its paragraphing of subjects and its illustrative use of tables. While the Illinois system is the center of discussion, the comparisons drawn with other systems are illuminating. In probably no other way can a tax system be shown to be deficient than by comparison with the systems of neighboring states with practically the same economic and political conditions. This method of comparison is carried to the length of showing the actual workings of practically every state system, notably in regard to corporation taxation. Probably the most valuable contribution is the forceful summary of Illinois conditions, an indication of the defects of the system, and recommendations of concrete changes. The most novel portion of the volume is a comparative review of State boards of equalization and tax commissions. It is rare that one finds so much practical information and discussion in so small a volume.

**Fernow, B. E. *A Brief History of Forestry in Europe, the United States and Other Countries.*** Pp. x, 374. Price, \$2.50. Toronto, Canada: By the author.

**Hackett, F. W. *Reminiscences of the Geneva Tribunal of Arbitration, 1872.*** Pp. xi, 450. Price, \$2.00. Boston: Houghton Mifflin Company, 1911.

**Haddon, A. C. *History of Anthropology.*** Pp. xix, 206. Price, 75 cents. New York: G. P. Putnam's Sons, 1910.

To condense into a few pages that shall be anything more than a mere synopsis of names and dates, a sketch of so great a field of human knowledge is no small achievement. Dr. Haddon has done well, and this little

volume will give the general reader a good glimpse of the work of the various men who have developed our knowledge of man's evolution. His descriptions and valuations of the men are very fair, though the American reader may perchance feel a bit surprised that Professor Ripley, whose book on the "Races of Europe" is one of the best, is only once mentioned, and that, as it were, incidently. A very convenient and useful manual.

**Henderson, C. R.** (Ed.). *Correction and Prevention*. Four vols. Pp. cxvii, 1490. Price, \$10.00. New York: Charities Publication Committee, 1910.

**Hollander, J. H.** *David Ricardo—A Centenary Estimate*. Pp. 137. Baltimore: Johns Hopkins Press, 1910.

**Jackson, C.** *Unemployed and Trade Unions*. Pp. xii, 92. Price 50 cents. New York: Longmans, Green & Co., 1910.

Writing from a wide personal experience with the administration of unemployed relief, the author suggests that the administration of such relief be entrusted largely to the trade unions. A brief discussion of the problem of unemployment is followed by a thorough analysis of relief works, labor exchanges, unemployment insurance, and an education for higher efficiency. The author is convinced that only through the co-operation of the trade unions can any of the theoretical remedies for unemployment be effectively applied, and he is as firmly convinced that the labor unions are not only worthy of confidence but sufficiently competent to administer unemployment relief.

**Johnson, R.** *A History of the War of Secession*. Pp. xiv, 574. Price, \$2.00. New York: Wessels and Bissell Company, 1910.

**Johnston, R. M.** (Ed.). *Napoleon Bonaparte, The Corsican*. Pp. vi, 526. Price, \$1.25. Boston: Houghton Mifflin Company, 1910.

A unique contribution to Napoleon literature has been made by Professor Johnston in the above work—nothing less than an attempt to create an autobiography by putting together in the form of a diary, extracts from his speeches and writings, arranged chronologically under the appropriate dates. The result is not only intensely interesting but also instructive. The absence of all notes and explanatory material, the mere juxtaposition of this great variety of opinions, comments and reflections in Napoleon's own words, uttered for the most part contemporaneously with the events they treat of, gives a vivid impression of his genius and versatility, and throws a strong light on his character and development. The work of selecting this material has evidently been laborious and certainly skilfully performed. Contradictions, deliberate misrepresentations and self-deceptions are found side by side with intimate glimpses of motives and self-revelations that give the intelligent reader a clear insight of the real man. It must be said, however, that a considerable knowledge of the history of the times and of the attitude of the other actors on the scene is necessary before the full significance of this "autobiography" can be appreciated. The items are

fragmentary; there is, of course, no thread of narrative. The English translation is excellent and it is only occasionally that Gallicisms slip in as in the extract under date February 5, 1799.

**Jordan, D. S.** *The Call of the Nation.* Pp. 90. Price, \$1.00. Boston: American Unitarian Association, 1910.

An attempt which President Jordan is making to popularize scientific discussions is ably furthered by "The Call of the Nation," a call to the conservation of resources of human life and efficiency. Beginning with the proposition that politics (graft) must be taken out of politics, the author shows that there is no civic right without civic duty, and that the right which the present generation enjoys in the use of resources is correlated with a duty to transmit resources wisely used, not wantonly destroyed. One of the most interesting descriptions in the book consists in a contrast between the plague in England and in the United States and the varying methods of dealing with it in each case. The present volume should go far toward persuading the American people to see the imperativeness of the concept described by Irving Fisher as "posteritism."

**Judson, H. P.** *The Higher Education As a Training For Business.* Pp. 54. Price, 55 cents. Chicago: University of Chicago Press, 1911.

In this suggestive little volume Dr. Judson points out that the wide and varied training of the higher education enables the business man to adjust himself more readily to new economic and social conditions, and to approach business problems from above rather than from below. The higher education "supplies both knowledge and power. . . . . It broadens the circle of existence. It makes one a man of the world, at home anywhere and among any class of men."

Dr. Judson shows, further, that the higher education trains a man for the proper use of wealth as well as for its acquisition. To the highly educated man "wealth is a key which unlocks many doors, and he knows where the doors are and to what they lead." But he wisely adds that not all boys are of the right sort to go to college, and that, as a rule, boys should be *allowed* to go, and not *sent*.

**Kaye, P. L.** *Readings in Civil Government.* Pp. xvi, 535. Price, \$1.20. New York: Century Company, 1910.

Many of the collections of readings which have appeared in recent years have borne no relation to any standard text, and hence have necessitated an effort of adjustment on the part of both teacher and pupil for their successful use. Often, too, the selections are made from material too advanced for the class of students for whose use they were intended.

Mr. Kaye has apparently had these two defects in mind. His book follows the arrangement of Forman's Advanced Civics. The material is drawn largely from the more popular discussions in the standard political and scientific journals. Documents are quoted sparingly—in fact, this is in no sense a "source book." Many of the discussions have been cut to eliminate technical portions, but this is done skillfully and in but few cases does the

material become fragmentary. In a few instances, however, notably the quotations from the Federalist, one feels that the abbreviation has made the material lifeless.

**Loch, C. S.** *Charity and Social Life.* Pp. xii, 496. Price, \$2.00. New York: Macmillan Company, 1910.

**Martin, Mrs. John.** *Is Mankind Advancing?* Pp. xv, 302. Price, \$2.00. New York: Baker and Taylor Company, 1910.

Mrs. Martin answers the question suggested in the title in the negative. The author chooses as the measure of progress the proportion of geniuses to the entire population. Incidentally, she states that the average inhabitant of Athens, whether freeman or slave, was probably better cared for than the average inhabitant of the United States to-day. Her main contention rests on the relatively higher proportion of genius produced by the Athenians. There is, however, a difficulty in such comparisons. How are we to measure genius? How compare, for example, Washington and Alexander the Great? The method adopted must, of course, be purely arbitrary and dependent largely upon personal judgment. If, however, the simple measure suggested above be accepted, the conclusion logically follows that the Athenian civilization existed on a far higher plane than that of present-day American. To be sure, we have more things than they had, but the author considers this irrelevant to the main argument. The work is at least suggestive, if not conclusive.

**Matienzo, J. N.** *El Gobierno Representativo Federal en la Republica Argentina.* Pp. 469. Buenos Aires: Coni Hermanos, 1910.

In this volume Professor Matienzo has given us the best account at present available of the development of representative government in the Argentine Republic. He shows clearly how Argentine federalism developed logically from its Spanish antecedents. The strong sectional feeling which characterized Spanish political development of the eighteenth century is reflected in the growth of Argentine sectionalism of the nineteenth century.

Prof. Matienzo's monograph reflects great credit on Argentine scholarship, and it is sincerely to be hoped that a series of similar monographs presenting the course of the political development in the other Latin-American countries will be made available to American students.

**Mills, J. C.** *Our Inland Seas.* Pp. xii, 380. Price, \$1.75. Chicago: A. C. McClurg & Co., 1910.

**Murray, W. S.** *The Making of the Balkan States.* Pp. 199. Price, \$1.50. New York: Longmans, Green & Co., 1910.

There are on the face of the globe certain spots where the conflicting interest of the great powers focus. In the Far East, China, and more particularly Manchuria have recently become such. The Balkans, in the Near East, have been for centuries such a point. Dr. Murray has carefully studied the historical situation in this territory since the treaty of Kainardji up to the present time. He has been able to preserve the relative importance of the

principal international events which have taken place, and has presented the main points necessary to a clear understanding of the development of the situation in a readable form. The study, above all, impresses one as clear, interesting and scholarly. It is, perhaps, to be regretted that so little space relatively is devoted to the more recent events for the consideration of which the way is so well paved.

**Nychara, G. E.** *The Political Development of Japan, 1867-1909.* Pp. xxiv, 296. Price, \$3.00. New York: E. P. Dutton & Co., 1910.

**Patten, S. N.** *The Social Basis of Religion.* Pp. xvii. Price, \$1.25. New York: Macmillan Company, 1911.

**Pease, C. S.** *Freight Transportation On Trolley Lines.* Pp. 62. Price, \$1.00. New York: McGraw-Hill Book Company, 1909.

This admirable little volume of sixty pages deals in a concise and authoritative manner with the problems involved in freight transportation on trolley lines. Within a small space the author has crowded a large amount of information useful not only to street railway managers, but to investors and others interested in electric railway properties. The chapters of the book deal successively with the canvass of the territory; preparation of maps and statistics; determination of routes and time schedules; location, arrangement and construction of stations and depots; relative advantages of various types of cars; the location of side tracks; the training of employees; fixing of classifications and rates; relations with the Interstate Commerce and Public Service commissions; the development of a system of accounts and stationery; relations with connecting lines; the package system, and the attitude of the company towards the public as regards freight traffic. The volume is well worth careful study by anyone interested in the subject.

**Phillips, J. B.** *Freight Rates and Manufactures in Colorado.* Pp. 62. Price, 75 cents. Boulder: University of Colorado, 1909.

The cities of the Rocky Mountain district have for many years complained that the railways have discriminated against them to the advantage of Pacific Coast points and points in the Middle West and East. In this monograph Professor Phillips presents a concise history of the relation between freight rates and the manufactures of Denver. The testimony of manufacturers and merchants is given to show the policy of rate discrimination in the paper, saddlery, match, soap, iron, powder, glass, carriage, building material, furniture, cement and terra cotta, grocery and coal mining industries. The policy of the carriers is further shown in the testimony of railroad freight agents.

The work is strictly historical and does not go beyond 1896. Professor Phillips, however, says that "since 1896 there has been much improvement in the attitude of the transportation companies toward the development of Denver as a manufacturing and distributing center, but as yet the freight rates are far from satisfactory and the evil effect of the old rates on the city's growth has not been obliterated." •

**Reid, G. A.** *The Laws of Heredity.* Pp. xi, 548. Price, \$5.00. New York: Macmillan Company, 1910.

**Ries, H.** *Economic Geology.* Pp. xxxi, 589. Price, \$3.50. New York: Macmillan Company, 1910.

The appearance of a third edition of this leading text-book on Economic Geology is sufficient evidence of its merit. Though materially different from the earlier editions, its plan remains the same. Every useful mineral is allotted space in proportion to its importance. The non-metallic minerals are discussed first, partly because of greater importance, partly because the explanation of their occurrence is simpler than in the case of the ores. The advantages of this order of treatment amply justify its retention.

The revision of the book consists mainly in the addition of new material, in accordance with the rapid advances made in the knowledge of the subject. This new material deals mainly with the general principles of economic geology, as on the side of the origin of minerals deposited, but it also includes some new accounts of individual deposits. The statistics, of course, have also been brought up to date, and important recent contributions to the literature of the subject have been added to the extensive bibliographies accompanying each chapter. It is quite impossible to discover any germane question concerning mineral deposits which is not adequately treated.

The detailed table of contents and elaborate index add not a little to the usefulness of this always valuable book which careful revision has made more valuable than ever.

**Robinson, E. V.** *Commercial Geography.* Pp. lix, 455. Chicago: Rand, McNally & Co., 1910.

**Seligman, E. R. A.** *The Income Tax.* Pp. xi, 711. Price, \$3.00. New York: Macmillan Company, 1911.

**Shaw, R.** *Spain from Within.* Pp. 327. Price, \$2.50. New York: F. A. Stokes Company, 1910.

Though an anti-clerical tone pervades this interesting book it is valuable because it gives facts which no other author has presented. The viewpoint of the peasant predominates, especially his spite against the church which by becoming a large tax-free land owner has made the burdens he must bear the greater. Not against the Catholic Church, but against the "clerics" is the feeling most bitter, in fact the great majority of the Spaniards are still loyal followers of Rome. The farce of elections under the Caciques or boss system, the eternation of ministries by agreement, the tremendous burdens of the consumption taxes, the government monopolies and the helplessness of the struggle for better conditions so long as the present illiteracy continues are pictured in vivid but rather sketchy style. Though not a thorough-going study of Spanish conditions, it presents instructive glimpses of Spanish national life unsurpassed in either English or Spanish. At the end of the book is an appendix which summarizes the chief facts concerning the leaders and parties of Spain.

**Silburn, P. A.** *The Governance of Empire.* Pp. xi, 347. Price, \$3.00. New York: Longmans, Green & Co., 1910.

**Snedden, D.** *The Problems of Vocational Education.* Pp. vi, 85. Price, 35 cents. Boston: Houghton Mifflin Company, 1910.

**Thompson, S.** (Ed.) *The Railway Library, 1909.* Pp. 403. Price, 75 cents. Chicago: Gunthorp-Warren Printing Company, 1910.

This annual volume issued by the manager of the Bureau of Railway News and Statistics, contains a number of papers and addresses on railway matters mostly of the year 1909, and a lengthy section dealing with current railway statistics. The papers include a chapter on the "Pre-Railway Era in America," by F. A. Cleveland and F. W. Powell, and the First Annual Report of the Chief Engineer of the Pennsylvania Railroad, as an historical background. They also include a paper on the "Diminished Purchasing Power of Railway Earnings," by C. C. McCain, and on "Railway Mail Pay," by Julius Kruttschnitt. The addresses include a speech on the Railways of the Northwest, by J. J. Hill; Southern Railways and Their Needs by J. E. Wallace; Problems Confronting American Railways by Daniel Willard; The Railroad Situation of To-day by Frank Trumbell, and other addresses by A. H. Smith, E. P. Ripley, J. C. Spooner, J. B. Thayer, W. M. Acworth and Sir George S. Gibb.

**Trine, R. W.** *The Land of Living Men.* Pp. xxii, 288. Price, \$1.25. New York: Thomas Y. Crowell & Co., 1910.

"In the Fire of the Heart," by the same author, is here re-written and re-named. The scope of both books is the same, and the material largely similar, although in the present volume it is brought up to date.

**Van Wagenen, A.** *Government Ownership of Railways.* Pp. ix, 256. Price, \$1.25. New York: G. P. Putnam's Sons, 1910.

This book is an earnest expression of the convictions of one who believes unreservedly in the government ownership and operation of the railroads in the United States. It was written to convince its readers that government ownership is now an accomplished fact in most countries of the world, that the movement for complete nationalization was never so active as at present, that the sentiment in favor of nationalization of the railways is stronger in this country than it is generally supposed to be, and that when government ownership comes in the United States it will be brought about suddenly. In defence of this position the author presents a brief history of nationalization and then sets forth the weakness of private management and the advantages of government ownership and operation of the railroads.

It is to be regretted that the author's scholarship was inadequate to the task undertaken. Whatever position one may hold upon the general question of nationalization of railroads, it is important that the subject should be discussed affirmatively and negatively by those whose statements of fact are beyond question. Moreover, the author's treatment of history is defective in places. An advocate of railroads whose knowledge of history is superficial, whose tendency is to disregard the political problems of state administration of railroads, who assumes that state management will be more economical and

more efficient, and who has no doubt about the financial success of the nationalization of railroads in the United States is one whose arguments will make but slight appeal to those who have given careful study to the difficult problems of railroad regulation and nationalization as they present themselves in the United States.

**Vrooman, C. S.** *American Railway Problems in the Light of European Experience, or Government Regulation vs. Government Operation of Railways.* Pp. viii, 376. Price, 6s. London: Oxford University Press, 1910.

This is a journalistic, but very readable, account of state and federal regulation of railroads in the United States and an argument in favor of working towards ultimate federal ownership and operation of all the railroads within the country. The author has a general but not profound knowledge of his subject. For the most part, his statements of facts are accurate; although, at times, especially in discussing the work of the Interstate Commerce Commission and in explaining how nationalization came about in Prussia (pp. 66-72) his superficial information leads to a misconception of events.

Mr. Vrooman believes that we should hasten to enact "those preparatory measures which are necessary, if the future transfer of our railways from private to public hands" is to be accomplished without "upsetting our entire business and industrial equilibrium." He believes a commission of experts should be created to study the problem. The author realizes that the government "cannot raise wages, shorten hours of labor, improve the service it renders, and decrease the remuneration it demands for that service without noticeably increasing the percentage of its earnings which must go for working expenses." This, however, is not a "conclusive argument in favor of private ownership;" at best it only goes "to show that private roads *could* give lower rates, better service, shorter hours of labor, and higher wages than government roads, but that they *will not*." "The supreme advantage of government roads, therefore, would seem to consist . . . in the emancipation of the people, rich and poor, from their present economic subjection to the irresponsible power of railway magnates."

The book was written just before the passage of the Mann-Elkins Act of 1910. Possibly, the provisions of that law and the decisions of the Interstate Commerce Commission in rate advance cases might have given Mr. Vrooman some hope of the ultimate success of government regulation in the United States; but it is more than probable that he would still have considered "government control of private railways an experiment which never yet has proved permanently satisfactory in any country of the world."

**Walker, A. H.** *History of the Sherman Law of the United States of America.* Pp. 320. Price, \$2.00. New York: The Equity Press, 1910.

The author, a member of the New York bar, has rendered all students of the trust problem a real service. The book is a detailed history of the Sherman anti-trust law, including an account of its antecedents, its passage through Congress, an analysis of its provisions and a discussion of the numerous cases that have been decided under it during the administrations succeeding its passage. The volume concludes with a forecast as to the probable out-

come of the Standard Oil and American Tobacco cases now pending in the Supreme Court. His opinion, based on the personnel of the present court, is that the government's position is likely to be upheld.

The Sherman law has never been amended and it is the author's belief that it "is not likely to be repealed or altered. It has been adjudicated in nearly a hundred judicial decisions and has been held by the Supreme Court to be clearly constitutional and broadly comprehensive." In his opinion the law represented the national will at the time of its passage and is still "clearly concordant with the national will of the twentieth century." The book is timely, comprehensive and illuminating. Its style is suitable for both layman and lawyer.

**Ward, H. D.** *A Voice from the Congo.* Pp. xvi, 330. Price, \$2.50. New York: Charles Scribner's Sons, 1910.

Beyond question this is one of the most readable and interesting volumes dealing with the Negroes of Africa. It consists of a series of sketches, now a paragraph, then a chapter in length. The stories are well told. Perchance the great accomplishment of the author is that he portrays to us human beings with whom we gain sympathy even though we laugh at absurd mental attitudes or shudder at their cruelties. We seem to feel that the "Savages are but shades of ourselves," to borrow the quotation from Ovid cited by the author.

Wandering into Africa as a young man in search of adventure, he remained as hunter, traveler, official for five years. "Commencing in this casual manner, I found myself gradually drawn into serious reflections, and I became imbued with a profound sympathy for African human nature." Village scenes, elephant hunts, forest dramas, animal stories, follow in no special order, yet each gains and holds the reader's attention.

The volume contains many attractive illustrations of native life and art, including a number of photogravures of bronze pieces executed by the author which indicate decided artistic ability.

**Waring, L. H.** *The Political Theories of Martin Luther.* Pp. vi, 293. New York: G. P. Putnam's Sons, 1910.

"We must recognize in Luther not merely a prophet or a forerunner, but the founder of the modern theory of the state." "Luther is the founder of modern liberty." This is not underestimating the political influence of the great Saxon reformer. Mr. Waring's work includes in the discussion of every element of Luther's political thought, a gleaning of the thought of previous writers on the same subjects. In itself this is conclusive of what generally is the accepted estimate—that Luther contributed comparatively few ideas to political philosophy, that his work on these lines was chiefly that of an agitator and that he used to support his contentions with the writings of political thinkers from Aristotle to Marsiglio. But Mr. Waring, like many of Luther's commentators, becomes so enthusiastic over his subject that he overlooks the fact that Luther's theories were the product of an historical development and that especially those that refer to polities were adapted by him to fit the con-

ditions confronting him and were not the enunciation of a previously thought-out philosophy. Luther's attitude toward the peasant revolt and the Anabaptists which the author seeks to excuse is only an extreme illustration of this fact. In political philosophy Luther was at most an interpreter, to a very small degree a creator.

This defect of emphasis is the chief criticism of the author's discussion. Each chapter brings out from the secondary authorities the best opinions on the subjects under consideration. Often the discussion bears rather remotely on Luther. In the first fifth of the book there is little which bears directly on the reformer or his work. The chapter on the Nature and Origin of the State, for example, cites Luther in but two paragraphs. There are throughout copious quotations, including several from Washington's address, the bearing of which is uncertain.

**Zueblin, Charles.** *Democracy and the Overman.* Pp. 217. Price, \$1.00. New York: B. W. Huebsch, 1910.

This volume consists of eight popular essays with the following wide range of titles: "The Overspecialized Business Man," "The Overestimated Anglo-Saxon," "The Overcomplacent American," "The Overthrown Superstition of Sex," "The Overdue Wages of the Overman's Wife," "The Overtaxed Credulity of Newspaper Readers," "The Overworked Political Platitude," and "The Overlooked Charters of Cities."

In these essays the author decries in turn: the frequent lack of courage, culture and character in the typical man of business, the characteristic conceit of the Anglo-Saxon who does not realize that it has been opportunity alone that has given his race its present favorable position; the snug complacency of many Americans who believe that whatever is, is right; the superstition that woman was made for man; the economic dependence of woman on man due to the fact that woman's work in the home is seldom put on a wage basis; the low morality of a press controlled by its advertisers; the hollow mockery of the recent Republican and Democratic platforms which side-stepped every issue of fundamental importance to the American people and finally, the lamentable conditions of municipal government due among other causes to the traditional separation of executive and legislative functions in city government. (The author is an advocate of the commission plan of government.)

Each subject is handled in the author's characteristic style which is popular and virile. The Overman is described as "an aggressive, self-satisfied megalomaniac, the offspring of business and finance, but he is the best we have. He only needs the discipline of democracy. He is the boss of *hoi Polloi*; he must be made the servant of *Demos*." . . . "The curse of the overman is mastery without service." A spirit of optimism and idealism pervades the book. The author believes that if intelligent Americans but abandon their overcomplacency long enough to reason independently of purse or superstition, they will find that "the final outcome and consummation of all wealth is in the producing of as many as possible full-breathed, bright-eyed and happy-hearted human creatures."

## REVIEWS

**Angell, Norman.** *The Great Illusion.* Pp. xvi, 388. Price, \$1.50. New York: G. P. Putnam's Sons, 1910.

The great problem of disarmament, looked at from the point of view of the economic futility of war, is the motive of this most delightfully written and well constructed book. The author is as logical as he is interesting, selecting with consummate skill his material so as to show that even the victorious nation will find it has grasped a phantom instead of economic advantages. In this day and generation, the invader cannot dispossess the landowner, but, no richer than before, will merely collect the taxes to carry on the government as heretofore. The nation covetous of colonies will find they cannot be used to the advantage of the holding state, but are and must remain in reality self-governing. Even an indemnity upon closer analysis proves to be a bane by raising prices at home and curtailing exports, at the very moment the prostrate nation feels the stimulus of a great trade revival. Our present misconceptions are shown to be due in part to our reliance upon the false analogy between the state and the individual. It is admitted that all advancement comes from the survival of the fittest, but the struggle is with the forces of nature and not man with man; for man must co-operate with man in the struggle against the forces of nature. The nation no longer represents the true alignment of world forces, for important interests such as finance and labor have become worldwide in their action.

All this and much besides which the book has to tell is worthy of consideration and will help every open-minded person to reach his conclusions upon this vital question. Let us hope that we may have an equally able presentation of the other side of the question. Not everyone will agree with certain of the statements made—as, for example, that the citizen of a small country receives the same consideration as one from a great empire. The mere fact of being a citizen of a great world power, like being well dressed, is one of the most powerful aids to success and consideration wherever one may go. Again, the great advantage which the world powers are struggling for is a part control in the direction of the different lines of industrial activity. They feel that such control brings opportunities for the employment to advantage of the resources of the nation, in brains, men, and capital.

At the same time that various interests are organizing without regard to national frontiers, the nations are slowly coalescing into groups and working out ever larger and larger systems of administration. Were these groups to be formed peaceably, and without dread of war, ultimately to be joined in one world administration, much inherent weakness would be cloaked, and an internecine strife, vastly more destructive than our own Civil War, would be the penalty; but building as they now do with the fear of war always present, every state knows that the efficiency of its system must be ready to stand the severest of tests—armed conflict. Perhaps, still, some wars may be necessary to demonstrate the rottenness of a system, like that

of Napoleon the Third's, which imposes upon the multitude. The administrative system capable of providing an adequate civil and military organization for a vast empire may serve to point the way to a world government.

In line with the characteristic sobriety which presides over his treatment of the subject, the author declares that "so long as current political philosophy in Europe remains what it is, I would not urge the reduction of our war budget by a single sovereign or a single dollar." In other words, being still under the dominion of false ideas which govern the minds of those about us, we must be prepared to defend ourselves from the action to which these fallacies may lead. Let us keep up a high degree of efficient armament; study this great question; and try to help others to reach a better understanding.

ELLERY CORY STOWELL.

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*The Cambridge Modern History.* Vol. VI, *The Eighteenth Century.* Pp. xxxiii, 1019. Vol. XII, *The Latest Age.* Pp. xxxiv, 1033. Price, \$4.00 each. New York: Macmillan Company, 1909 and 1910.

With the appearance of the twelfth volume, the now well-known Cambridge Modern History is complete, so far as the narrative history is concerned. "The Latest Age," in the words of the prospectus, bringing "the history down to the last syllable of recorded time" to the point where history passes into action. Two supplementary volumes are still to appear; the first, an elaborate, historical atlas for the period; the second, composed of genealogical and other tables and the general index. But the historical writing for the work is before us, and it is appropriate in considering the last volumes to examine the work as a whole.

The plan to publish a comprehensive History of Modern Times in a series of volumes was decided upon by the Syndics of Cambridge University in 1896. At the time there was one man who by his position as regius professor of history at Cambridge University, by his broad culture and his careful training in the methods of the scientific historian was pre-eminently the man to direct the work. Lord Acton became the editor-in-chief, and at once threw himself into the task with much enthusiasm. Unfortunately he had time only to get his project well started when he died. But the plan had been sketched and it has been faithfully adhered to even though the unifying force of his master mind has been sadly missed.

This plan, it will be remembered, was to give to the world a co-operative history in which each important topic of a period would be treated by a foremost specialist, so that there would be a score or more of contributors for each volume. In this way it was hoped the work would be "history . . . as each of several parts is known to the man who knows it best." The period treated is the last four hundred years, an era, "which is marked off by an evident and intelligible line from the time immediately preceding, and displays in its course specific and distinctive characteristics of its own." We may or may not agree with the idea of an interruption to the law of historic progress in the fifteenth century, and we may believe that co-operative histories are

better done when more extended periods are assigned to the individual writers, but our present purpose is rather to point out the particular characteristics, the strong and the weak points of this monumental work in twelve large volumes of about one thousand pages each.

The subjects of the different volumes are as follows: Vol. I, "The Renaissance;" Vol. II, "The Reformation;" Vol. III, "The Wars of Religion;" Vol. IV, "The Thirty Years' War;" Vol. V, "The Age of Louis XIV;" Vol. VI, "The Eighteenth Century;" Vol. VII, "The United States;" Vol. VIII, "The French Revolution;" Vol. IX, "Napoleon;" Vol. X, "The Restoration;" Vol. XI, "The Growth of Nationalities;" Vol. XII, "The Latest Age." That there is anything original or suggestive either in the names or the periodization, even the most ardent enthusiast for the work would hardly claim. One sees the familiar divisions, the familiar nomenclature of the "Periods of European History," and one wonders if there has been no progress, nothing new, in the last two decades of historical study to justify at least an occasional deviation from the conventional outline. A treatment based more upon the evolutionary process of human progress might have furnished the unifying idea which is so conspicuously absent, not only in the work as a whole, but also in the individual volumes themselves.

The volumes of the Cambridge Modern History are not suited to giving one a connected or progressive survey of the particular field of history with which they deal. And herein lies perhaps the one great departure from Lord Acton's plan. That the idea of unity and of historic evolution was strong in his mind, we know, but the execution of the plan had to be effected without the fusing power of his master mind. On the other hand, it is very questionable whether he could, had he lived, have welded the diversified contributions of the sixty or more contributors into a well knit and united whole.

Details such as errors in statement of facts which occur occasionally, though considering the magnitude of the work infrequently; a displeasing unevenness between chapters which are necessarily side by side; an over-emphasis of political history as against the social and economic, certain unscholarly features in many of the otherwise remarkably fine bibliographies; all these have been pointed out as the individual volumes have appeared, and the last two volumes show no deviation from the earlier ones in these respects. They are "true to type." There is no point of view consistently held throughout the volumes, and in spite of Lord Acton's idea to "keep to the main line, attending to the byways at the junction only," we again have a great deal of matter that cannot but be classed as superfluous detail and unrelated facts. The broad comprehensive survey is again absent, particularly in the volume on the eighteenth century. In the last volume, "The Latest Age," however, the spirit of the contemporary era is manifest in a striking degree in many of the contributions and the work possesses an exceptional degree of unity. If the great dynamic forces are not defined and outlined for us, we are at least obliged to see and feel them in operation in an unusually vivid and intense manner, in every phase of recent development. Indeed the editors are to be congratulated on the exceptionally high standard of excellence of the bulk

of the chapters of this volume. Of especial merit is the chapter on the *French Empire* by Emile Bourgeois, Thomas Okey's study of *United Italy*, the survey of the *German Empire* by Hermann Oncken, Pollock on the *Modern Law of Nations* and Sidney Webb's study of *Social Movements*. For American readers, Mr. Westlake's account of the *Foreign Relations of the United States During the Civil War* is of particular interest, while the specialist in history will find the chapter by Mr. Gooch on the *Growth of Historical Science* suggestive and valuable. While the bibliographies are similar to those of the rest of the work, that of "The Latest Age," though remarkably suggestive and helpful, is of less permanent value because archives were in the main not available for this period, and critical studies have as yet not been made of even the most essential printed documents.

But when all has been said against the Cambridge Modern History it remains to acknowledge that it is a monumental work, supplying a much felt need. The manner of its making prevents it from being easily read consecutively because of the lack of continuity. Indeed very many of the individual contributions are too dry and detailed to be read. But by the side of these there are other monographs—for such the best of the contributions are—that are not only entertaining, but which afford the most thorough treatment of the topic upon the basis of the latest historical study of the period available.

W. E. LINGELBACH.

*University of Pennsylvania.*

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**Davis, W. S.** *The Influence of Wealth in Imperial Rome.* Pp. xi, 340. Price, \$2.00. New York: Macmillan Company, 1910.

**Tucker, T. G.** *Life in the Roman World of Nero and St. Paul.* Pp. xix, 453. Price, \$2.50. New York: Macmillan Company, 1910.

That there has been a great revival in interest in Roman history in the past few years is attested not only by the establishment of chairs in ancient history in most of our leading universities but by the enthusiastic reception on the part of the public of the translation of Ferrero's works and the appearance of a considerable number of books in English dealing with various aspects of the Roman world. The notable monograph of Botsford on the Roman Assemblies is a constitutional study addressed only to scholars, while Heitland's three-volume work on the Roman Republic and Henderson's study of the civil wars following the death of Nero deal with political and military history; but the chief interest at present is naturally in the economic, social, and religious field, as may be seen by such books as Fowler's *Roman Life In the Age of Cicero*, Dill's *Social Life From Nero to Marcus Aurelius*, and Glover's *Conflict of Religions in the Roman Empire*.

To this latter class belong the books of Davis and Tucker. Neither one is an original contribution to our stock of knowledge. Both are addressed to the educated public and admirably fulfil their purpose of pre-

senting in an interesting and ordered manner information that lies buried for the average reader in such works as Schiller's, Seeck's, Boissier's and Friedländer's, although the last named is being made accessible in a rather unsatisfactory English translation. Davis and Tucker followed different plans so that their books supplement each other. Professor Davis has confined himself to a presentation of economic conditions and their effects, especially in the period of the early empire. His introductory chapter on the business panic of 33 A. D. is a brief description of that event expressed in the language of the modern financial world and serves admirably to impress on the reader the similarity of the business and credit systems of that and our own day. This is followed by a study of the relations of politics and high finance during the later Republic, the extent and character of commerce and trade under the Empire, the accumulation and expenditure of great fortunes, the condition and occupations of the lower classes and the slaves, private munificence and the relations of the rich and poor, and marriage, divorce, and childlessness as affected by economic ideals and conditions. On all these topics constant comparisons with modern conditions add vividness and reality and redeem the book from any charge of aridity.

In his *Life In the Roman World*, Tucker takes his stand at the year 64 A. D. and surveys the various institutions of the Roman World at that particular moment, thus giving a certain concreteness to the picture. The first six chapters deal briefly with the political and administrative organization, while the remainder of the book is devoted to the social life of the different classes, the Roman house, daily life and amusements, education, religion, and the state of science, religion, and art. While there is little new in the book to one acquainted with Friedländer's *Sittengeschichte*, it is written in an easy, colloquial style and excellently illustrated. The author appears to make a deliberate effort to write down to the understanding of his readers, but nevertheless a vivid picture is given of the pagan world in which St. Paul and his associates carried on the propaganda of a new religion.

A. C. HOWLAND.

*University of Pennsylvania.*

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**Eliot, Charles W.** *The Conflict Between Individualism and Collectivism in a Democracy.* Pp. vi, 135. Price, 90 cents. New York: Charles Scribner's Sons, 1910.

This book comprises three lectures delivered at the University of Virginia under the Barbour-Page Foundation. The author uses the term collectivism to connote social control (not socialism) and contrasts it with individualism (*laissez faire*). The lectures trace in turn the rapid development of collectivism at the expense of individualism in three great departments of personal and social activity—industry, education and government.

The lectures show a great breadth of view as well as a depth of scholarship. Much of their value lies in their keen appreciation of live issues. This

is notably true of the lecture on education. His suggestions in this field are timely and authoritative. "The demands of democratic collectivism being in many respects novel and being also very various, and American schools and colleges having been built, like the English, on sixteenth century plans and models, it is obvious that profound modifications of the American educational system are necessary in order to meet these needs. . . . The idea that useful knowledge cannot be cultural must be dismissed. . . . Two of the most important educational movements of the last twenty-five years in the United States have had to do with young people who have passed the common school age, and with their parents and older friends. One of these is the movement for the use of public school houses as social centers, that is, as places where the youth and grown people of a neighborhood may find, without cost, or at trivial cost, pleasant, interesting and instructive occupations in the evenings. . . . This is not paternalism, or socialism, or an imitation of the 'Roman bread and games' for the populace. It is just intelligent and sympathetic educational collectivism, fighting evil and degradation with good. . . . The second movement toward continuous education and the provision of means of public enjoyment, intended to combat the evils accompanying concentration of population, is the movement in favor of playgrounds, open-air parlors, bathing places, boulevards, gardens, and parks. It is only by collective action through the use of public resources that this movement can be carried on."

In each of the lectures the author views the development of collectivism as constructive, not destructive, inevitable in consequence of other profound social and industrial changes, beneficial in the present, and hopeful in the future. He maintains that collectivism tends neither to anarchy nor to despotism. Its theory is accurately stated in such accepted sayings as "Thou shalt love thy neighbor as thyself" and "We do hold ourselves straightly tied to all care of each other's good, and of the whole by every one, and so mutually."

Written in a popular style, the book will prove of interest to the general reader, but particularly to all students of the social sciences and to social workers.

FRANK D. WATSON.

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*Encyclopædia Britannica.* A Dictionary of Arts, Sciences, Literature and General Information. Eleventh Edition. Twenty-nine vols. Price, \$4.00 to \$7.50 per volume. Cambridge, England, and New York: University Press, 1910-1911.

The appearance of the eleventh edition of the *Encyclopædia Britannica* is the most important literary event of the past year. The mere size of the work—twenty-nine volumes, each containing 1,500,000 words—makes the successful and prompt completion of the task of publication a notable achievement; while an examination of the *Encyclopædia* as to its general structure and with reference to the scope, conciseness, clarity and literary treatment

of the articles upon any particular branch of learning gives convincing proof that the highest editorial standards have been adhered to, and that neither time nor cost has been spared in the effort to make the *Encyclopædia* an "authoritative exposition" of human knowledge.

The discussion of a work of this scope in a brief review article must needs be very partial, and it will be best to limit this estimate to a statement of the relation of this edition to the preceding ones, to a brief description of the general structure and substance of the *Encyclopædia*, and to a reference to the articles and contributors in the fields of government, social science, and economics.

Few books have been so fortunate as is the eleventh edition of the *Britannica* in its editorial introduction, which describes the way in which the *Encyclopædia* was created, explains the scientific standards that controlled editors and contributors, and presents a very illuminating discussion of the place of an encyclopædia in the general field of literature. The editor states in the prefatory note that:

"The Eleventh Edition, which supersedes both Ninth and Tenth, and represents in an entirely new and original form a fresh survey of the whole field of human thought and achievement, written by some 1,500 eminent specialists drawn from nearly every country of the civilized world, incorporating the results of research and the progress of events up to the middle of 1910, is now published by the University of Cambridge, where it is hoped that the *Encyclopædia Britannica* has at length found a permanent home. . . . ."

The work is not merely a revision of previous editions, it is essentially a new literary creation.

"These twenty-eight volumes and index aim at achieving the high ambition of bringing all extant knowledge within the reach of every class of readers. While the work, in its present form, is to some extent based on the preceding edition, the whole field has been resurveyed with the guidance of the most eminent specialists. The editors early decided that the new edition should be planned and written as a whole, and refused to content themselves with the old-fashioned plan of regarding each volume as a separate unit, to be compiled and published by itself. They were thus able to arrange their material so as to give an organic unity to the whole work and to place all the various subjects under their natural headings, in the form which experience has shown to be the most convenient for a work of universal reference. An important consequence of this method of editing is that the twenty-eight volumes are now ready for publication at the same time, and that the complete work can be offered to the public in its entirety."

The dictionary method of presenting the topics discussed reduces the length of the articles, greatly increases their number, and makes it necessary for the student of any large question to consult the final index volume in order to locate all the papers upon any large subject.

This way may be illustrated by reference to the treatment of *political science*. There is a general article on Government which discusses briefly

the forms and sphere of government; there is also a short article upon Constitution and Constitutional Law; but most of the information concerning governmental and legal institutions will be found under such titles as Sovereignty, Cabinet, Prerogative, Legal Systems, International Law, and Comparative Jurisprudence. In the articles upon the several countries, there is a section upon Government and Political Institutions. The paper upon Comparative Jurisprudence is written by Professor P. Vinogradoff, of the University of Oxford. The History of English Law is treated by the late Professor F. W. Maitland; the article on Greek Law, by Dr. J. E. Sandys; on Roman Law, by Professor Goudy; on International Law, by Sir Thomas Barclay, and on Private International Law, by Professor Westlake. Numerous other topics are treated by authors of equally high standing.

In the field of *sociology and social institutions*, there is an article on Charities and Charity, by Dr. Loch. On Housing and the Temperance Question, the papers are by Dr. Arthur Shadwell; Building Societies and Friendly Societies are discussed by Sir E. W. Brabrook, late Chief Registrar of Friendly Societies of England. The articles upon the law relating to children were prepared by W. F. Craies and T. A. Ingram; Labor Legislation is discussed by Miss A. M. Anderson, the Principal Lady Inspector of Factories for the Home Office, London, and by the late Carroll D. Wright. Colonel Wright also wrote upon Arbitration and Conciliation in Labor Disputes, and on Strikes and Lock-Outs. These few references to sociological topics will indicate the scope and character of the treatment of these subjects.

*Economics and economic institutions* naturally receive much emphasis in an encyclopaedia appearing at the present time. Most of the contributions upon topics in this department naturally are by British and American scholars, and, of course, more has been contributed by English economists than by American. The brief general paper upon Economics, prepared by W. S. A. Hewins, defines economic science, points out its relation to other sciences, and discusses the methods of economic investigation. The various departments of economics are ably discussed. A few references will indicate the high character of the papers. Professor Bastable discusses Finance, Money, and Bi-Metallism; Sir Robert Giffen deals with Taxation, and his paper is supplemented by others on Customs Duties, Excise, Income Tax, etc. Wages are dealt with by Professor J. S. Nicholson; Protection, by President E. J. James, of the University of Illinois; Tariff, by Professor F. W. Taussig, of Harvard; and Trusts, by Professor J. W. Jenks, of Cornell. Upon the subject of Railways there is an introductory historical sketch by H. M. Ross, an English writer; a discussion of the general statistics of railways of the world by Mr. Ray Morris, formerly managing editor of the *Railway Age Gazette*, of New York; of Railway Accidents, by Mr. B. B. Adams, of the same journal, and of Railway Economics, by President A. T. Hadley, of Yale. President Hadley's article is reproduced from the 10th edition of the *Encyclopædia*. There is a paper upon Canals by Sir E. Leader Williams, and articles upon the Manchester Ship Canal, Suez, Panama and Caledonia Canals. Persons interested in the technical aspects

of industry and transportation will find a long list of papers written by well-equipped engineers.

In connection with this reference to the treatment of economics in the *Encyclopædia*, attention may well be called to the position taken by the editor as to the place that should be given statistics in historical and economic articles. The editor says:

"While the most recent statistics have been incorporated when they really represented conditions of historic value, the notion that economic development can be truly shown merely by giving statistics for the last year available is entirely false, and for this reason in many cases there has been no attempt merely to be 'up-to-date' by inserting them. Statistics are used here as an illustration of the substantial existing conditions and of real progress. . . . . In such a work statistics are only one useful method of expressing historical evolution; their value varies considerably according to the nature of the subject dealt with. . . . . In general, far less tabular matter has been included in the Eleventh Edition than in the Ninth. Where it is used, it is not as a substitute for descriptive accounts, which can put the facts in readable form much better, but more appropriately as showing concisely and clearly the differences between the conditions at different periods."

It is, indeed, gratifying that in this great work, which will be read the world over by the general public for information upon economic questions, the presentation is, for the most part, textual rather than statistical. This edition of the *Britannica* is much more interesting than previous editions have been and its educational influence will be consequently greater.

Taken as a whole, the Eleventh Edition of the *Encyclopædia* must be highly appreciated by all students of history, literature and science. This edition does not contain the long and discouraging monographs characteristic of previous editions; the papers are generally short, are phrased in excellent English, and are accompanied by appropriate but not excessive illustration. A long step forward was taken in adopting India paper. The volumes may be secured either in the ordinary thick paper, which makes each volume weigh eight pounds, or in the India paper edition, the average weight of each India-paper volume being about three pounds. It was, indeed, a triumph of the printer's art to manufacture a volume less than one inch in thickness, containing 1,000 pages of clear, readable type. It seems doubtful whether any large encyclopædia will be published in the future except upon India paper.

EMORY R. JOHNSON.

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**Fishberg, M. *The Jews, a Study of Race and Environment.* Pp. viii, 578.**

Price, \$1.50. New York: Macmillan Company, 1911.

This volume is a thorough-going treatise on environmental causation of race differences. It is especially interesting in view of the fact that the

peculiar race traits of the Jews, perhaps more than those of any other people, have been considered biologically inherent.

The common supposition that the Jews have maintained a racial purity for three or four thousand years he shows to be a fiction. Intermarriages with other races have continued from the days of the patriarchs and kings of Israel down to the present time.

That the Jews are non-assimilable is shown to be erroneous by an appeal to history and experience. The race is not a unity in color, stature, head formation nor physiognomy. Modifications of type under changed environment are apparent everywhere. Cultural, not physiological differences separate Semite and Aryan.

Again, the mental and social characteristics are shown to be modified under changed conditions. The Ghetto, originating as a privilege through preference and convenience on account of dietary and other customs, has been perpetuated as a disability through the external pressure of religious and political persecution. Released from this condition of life many marked changes result. Inter-racial marriages become increasingly frequent, reaching a rate of 96.5 to each 100 pure Jewish marriages in Berlin, 1901-1905. The birth rate diminishes more rapidly than among native Americans. Absorption of foreign cultures increases enormously. These and other factors threaten group extinction in many localities.

Other "Jewish characteristics," as "commercialism" and the "greater thirst for knowledge," are not so much "Jewish" as they are the characteristics of the "middleman" group. English and American merchants in the last fifty years have outdone Jewish merchants, while from an equal numerical group of Americans of the same mercantile and professional class, an equally large number of young men go to college.

Whether or not all these generalizations will be substantiated by further observation and research remains to be seen. The significance of the work lies in its method of interpretation on the environmental basis of race differences as applied to the Jews.

J. P. LICHTENBERGER.

*University of Pennsylvania.*

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**Gettell, R. G. *Introduction to Political Science.* Pp. xx, 421. Price, \$2.00.**  
Boston: Ginn & Co., 1910.

This book is "intended for use as an introductory text in the general field of political science" in colleges and universities. Its aim is to "trace the origin, development, organization, and functions of the state." It is divided into three parts on "The Nature of the State," "The Organization of the State," and "The Ends of the State." To anyone at all familiar with the equipment and capacity of the average freshman or sophomore, it must be evident that a book, such as the one under review, presumes altogether too much for an introductory text-book. Such difficult and disputed subjects as the origin and nature of the state, the theory of sovereignty, the nature of

law, subjective rights of the individual, and the functions of government can only be profitably studied at a comparatively advanced stage in the student's curriculum. Only after he has accumulated a considerable fund of knowledge concerning the concrete institutions of his own and foreign governments can he delve with any success into the mazes of *Staatslehre*.

The author makes no pretense at originality, and his work is based almost exclusively upon readily accessible treatises in English. In a field in which French, and particularly German scholarship has been so prolific of works of the first importance, it is remarkable that so good a book could be written without making more use of them. The author is an Austinian and follows his master altogether too closely in his theory of sovereignty, and the nature of law, to find ready acceptance to-day. Not only are the commonwealths of the American Union, and protectorates like Cuba, not states, because they lack the essential of sovereignty, but he frankly admits that no such thing as a state existed in the Middle Ages. He also maintains that revolutions destroy the state and not merely the government. International law, it is maintained, is not law, and even the unwritten portions of constitutional law are denied the legal quality.

The general scheme of the book and the method of treatment employed are excellent; the presentation is often suggestive and forceful. The style is clear and readable. There is, however, an unduly large number of loose and inaccurate statements, of which we can mention but a few. The author asserts (p. 265) that the French "chief of the council of ministers . . . is usually minister of foreign affairs." This has been the case only once since 1886. The proposition (p. 274) that "civil and criminal cases are distinguished and for each there is a series of courts" can scarcely go unchallenged. Prison officials are not generally treated, by our author (p. 274), as part of the judicial system. The statement (p. 280, repeated p. 284) that the judicial functions of the house of lords are in practice "exercised by the lord chancellor . . . and by four jurists appointed by the crown to serve as lords of appeal," is inaccurate, since all peers who have held high judicial office also participate. A separate department for the colonies, with a minister at its head, was established in Germany in 1907, so the statement (p. 314) that "German colonial affairs are controlled by a division of the foreign office" is no longer true. What is meant by the statement, "Statute law is usually created by the ordinary government; that is, by legislatures or by the courts in applying common law"? It is certainly a strange error to state (as is done on p. 198) that "From 1848 to 1850 most of the German states secured written constitutions," when, in fact, Prussia is the only state which secured a constitution during these years.

WALTER JAMES SHEPARD.

*Ohio State University.*

**Glesecke, Albert A.** *American Commercial Legislation Before 1789.* Pp. 167. Price, \$1.50. New York: D. Appleton & Co., 1910.

This is a highly convenient and well-nigh exhaustive summary of the laws enacted (1) by the British Parliament for the regulation of American trade and manufactures, (2) by the several colonial legislatures for the raising of revenues and the discouragement of certain imports, (3) by the Continental and Confederate congresses in the endeavor to bring Great Britain to terms by systematic boycott and, when separation had become inevitable, to provide new markets for American produce. The discussion of the economic effects of this restrictive legislation could hardly be undertaken in so brief a monograph, yet one cannot but regret that the author fails to present the *raison d'etre* of the imperial policy and the actual operation of the measures approved by a parliament that considered only English interests. Latterday historians are making quite evident the fact that the British colonial system was by no means so oppressive as it appeared to the resourceful and ambitious colonials, but a just estimate of its comparative liberality can only be reached by a study of the Spanish colonial policy as exemplified in New Spain. The English colonists knew no such handicap as the "closed port," and the mother country that monopolized their trade was their most convenient market, whereas the exclusive privileges granted to Cadiz by the Council of the Indies accomplished the ruin of industry and commerce both in Spain and in her luckless colonies. Even the "free trade edict" promulgated by Charles III merely enlarged the number of open ports and lowered some duties, while the admission of foreign vessels to trade with Mexico and California was not contemplated. The results in the way of stifling economic initiative were such as no British dependency was made to suffer.

KATHARINE COMAN.

*Wellesley College.*

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**Hazen, C. D.** *Europe Since 1815.* Pp. xxv, 830. Price, \$3.00. New York: Henry Holt & Co., 1910.

A book should be judged by the purpose of the author. Professor Hazen has set himself to the task of writing a general history of Europe since 1815, and the canons by which his achievements are to be measured are simple. Is the volume well balanced in the proportions assigned to the several countries and historical problems? Is the method of treatment in keeping with the pretensions of the title? Are the statements accurate? Is the style, if not distinctly engaging, at least clear and direct? Is the arrangement of materials such as to attract and fix the mind of the reader?

In the matter of the distribution of emphasis, Professor Hazen has done fair justice to the stress of interest in the average American mind. If any objection could be urged against his balance or proportions, it is that he has given too much space to France and England, for out of 736 pages of text about three hundred are devoted to the internal developments of the two countries. The present reviewer is in no mood to quarrel, but he has a faint

suspicion that as the Near East moves nearer we shall want to readjust our perspective. There are now signs of an impending change.

In the method of treatment, Professor Hazen interprets his title, "Europe Since 1815," in that free manner now in vogue among the historians, as meaning principally the political record of the period. The thread that runs through this volume is a chronicle of the deeds of politicians and warriors. Other factors, economic and social, are noted by the wayside when they are subjects of the political game. Their weight, however, as conditioning forces in the general movement of the century, our author does not attempt to gauge. For the wayward course of the historians in making politics their theme, Professor Hazen is not responsible; but it would have been refreshing if he had struck a fell blow against tradition. His title should read: "The Political Events of Europe Since 1815."

On the score of accuracy, our author seems to have taken special pains. No doubt a reviewer who holds proof reading to be a part of his task might find a few errors to catalogue, but the big bold facts are presented with precision and fairness. This is what counts.

As to style, Professor Hazen seems to have sacrificed the graces for definiteness and clarity. One is tempted to weary occasionally at the unadorned tale told with so many short sentences and so little swing; but let the one who has not sinned in this respect cast the first stone. It is better to be understood always than to charm occasionally while creating much misunderstanding.

Lastly (after the fashion of an old New England sermon) there is the problem of arrangement. Professor Hazen has made a reasonably successful combination of the chronological and the topical methods, taking each country up separately and then giving us cross sections where the political situation is distinctly international in character. Anyone who has ever put his hand to this tangled skein will be slow to criticise this plan of procedure; and it seems that our author has told his story in as orderly a manner as the theme would permit. The historian may say with the preacher of old: "Consider the work of God: for who can make straight that which He hath made crooked?"

CHARLES A. BEARD.

*Columbia University.*

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Kelynack, T. N. (Ed.). *Medical Examination of Schools and Scholars.*

Pp. xvi, 434. Price, 10/6. London: P. S. King & Son, 1910.

At a recent meeting of the American School Hygiene Association in New York City, the statement was made that the physician of the future would serve less and less in the capacity of family doctor and more and more as community doctor; that he would spend a decreasing amount of time in studying and curing individual cases of disease, and a proportionately increasing amount of time in teaching the laws of health and preventive medicine.

A striking instance of this "humanized medicine" is the effort to guard the community health through attention to the health of the school child by means of medical examination not only for contagious diseases but for physical defects. We are, however, but at the beginning of things. Medical examination is still, especially in this country, in the experimental stage. Many questions are still open and we have still much to learn regarding means and methods of examination and administration.

The present volume cannot fail to be of value to all practically interested in this movement. It consists of a collection of studies by no less than thirty-six experts in their respective lines—community doctors in the sense above referred to—and provides material gathered from all sources and dealing with every aspect of the question. Its aim is "to provide school medical officers, managers of schools, educationalists and all interested in the national care of the health of our children with a complete, reliable guide to every department of medical school service."

The chapter headings read like the program of an international congress. We are made acquainted with the status of medical examination in no less than fourteen different countries, and those who are interested in framing laws will find suggestive material in the different provisions adopted. England's law of 1907 provides for the systematic, compulsory examination of children in the public elementary schools. Scotland's law contains a clause providing that every teacher be thoroughly trained in school and personal hygiene. Sweden has had medical school officers since as far back as 1830.

The bulk of the book deals with English medical examination in its different phases. Chapters of most practical value are "Organization and Administration," "The General Routine Medical Examination of School Children," "The Eyes and Eyesight of School Children," "The Ears, Nose and Throat of School Children," "Dental Conditions in Elementary School Children," "The School Nurse." Of special interest in these chapters are a schedule regarding the medical inspection of schools and school buildings, a description of necessary equipment for medical examination, danger signals of defects, etc.

Distinctly newer fields are touched upon in the chapters on "The Medical Examination of Boys in Preparatory and Public Secondary Schools," and a like chapter on girls. These schools correspond to our private schools, and the ground is well taken that wealthy children have as much right to health protection as those less fortunate. Helpful chapters are also "Medical Examination of Children under the Poor Law and in Orphanages and Industrial Schools," and "Medical Examination of Schools and Scholars in the British Army."

The description of the open-air schools is sufficiently attractive to make us wish all children could enjoy their advantages instead of the favored few who are anaemic or tubercular. We wonder perhaps in the chapter, "Medical Examination of Teachers," why the writer limited himself to describing the examinations made of candidates for the teaching profession and did not recommend periodic medical examination of teachers actively engaged. The

European policy of taking the most obvious path to a desired end is well illustrated in the chapters on "Feeding the School Child" and "The School Clinic."

Not the least valuable sections of the book are the comprehensive bibliographies appended to each chapter, which not only are of practical value and stimulate to further study, but indicate better than anything else the strength of a movement which is now world-wide.

AGNES DE LIMA.

*Bureau of Municipal Research, New York City.*

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**Mangold, George B.** *Child Problems.* Pp. xv, 381. Price, \$1.25. New York: Macmillan Company, 1910.

The purpose of the book, as stated in the preface, is to give "a general view of the principal social child problems of to-day." On the ground that the development of the child is largely determined by environmental conditions, and realizing that the individual cannot control these conditions, the author opens the discussion by presenting certain fundamental obligations of society to childhood, among which are the preservation of life and health, the right to play, the right to freedom from work and the right to education.

The problems are discussed in the following order: I. Infant and Child Mortality. II. Recent Aspects of Educational Reform. III. Child Labor. IV. The Delinquent Child. V. The Dependent and Neglected Child.

The author declares that "the infant and child mortality of a people is a barometer of their social progress." Therefore, he presents the historical stages through which infant mortality has passed, pointing out the slow decline, compared with the more rapid decline of the general death rate. To-day, however, intensive methods of saving life are being inaugurated. The future promises to bring about the prevention of a very large proportion of the present high infant mortality. Specific children's diseases, together with the mortality from each, are discussed, and the more important causes are classified. Special attention is given to the milk problem, and some supplementary methods of decreasing the mortality rate are presented, including parental education, visiting the homes by nurses, municipal campaigns, the prevention of overcrowding and the employment of married women.

In Book II the recent educational reforms affecting the welfare of the child are presented. The author begins this division by a study of play and its value, which he follows logically with a discussion of the playground movement. On the ground that many pupils are not able to benefit fully from our educational system on account of physical or mental defects, the author outlines the system of medical inspection and the special training of backward children. Since the school system, as now organized, is not adequate to meet the needs of our society, the author discusses the new

education which will train for the life activities into which the child must enter.

In Book III the causes, conditions and wastes of child labor are pointed out. The injury to the individual, the economic and social costs and the moral effects are emphasized. A chapter is devoted to legislation, in which the evolution of laws on this subject is discussed and the various subjects of legislation are pointed out.

In Book IV the causes of juvenile delinquency are discussed. The juvenile court, the probation system and the institution each receive attention, as methods of dealing with the existing problem. Looking toward the future, various methods of prevention are suggested.

The final book deals with the principles and methods of saving the dependent and neglected child, both public and private.

The volume deals with the child problem as a whole; it is comprehensive and suggestive; and presents the causes and conditions as preliminary to a discussion of methods of amelioration.

ROBERT E. CHADDOCK.

*University of Pennsylvania.*

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Mathews, J. L. *The Conservation of Water.* Pp. viii, 289. Price, \$2.50.

Boston: Small, Maynard & Co., 1910.

Much has been written about conservation in its different phases, but even the individual most widely read in that field could not fail to find a new note in this volume on the proper use of water. The topics discussed are floods, water storage, municipal supplies, water power, swamp drainage, irrigation, the relation of water to soil conservation, navigation, and a summary of the results of conservation of water. The estimate of the advantages to be secured by water conservation may be somewhat too roseate, but were only a measure of these far reaching reforms realized, it would be well worth any effort required in the attainment of them.

The best points made in the book are, first, the tremendous value of the resources available in the proper use of our long neglected streams; second, the critical significance of these resources to the future prosperity of the country, and third, the vital importance of water storage in any sane development of our streams. On this last point especially the author is to be congratulated for the clearness and forcefulness of his argument in favor of the only efficient solution of a great problem. A tendency to use generous figures, where statistics are presented, is the chief criticism against the book, but it may be excused on the ground that the purpose is primarily to set forth a great fundamental concept of the value of water as a resource. Much of the book reads like a romance, in spite of the solid truth that it tells.

WALTER S. TOWER.

*University of Pennsylvania.*

**Moore, Dewitt C.** *The Law of Interstate Commerce and Federal Regulation Thereof.* Pp. lxxvii, 808. Price, \$7.50. Albany, N. Y.: Matthew Bender & Co., 1910.

There is no branch of law upon which concise and authoritative information is more sought for by lawyers and transportation students than is the law of interstate commerce. The author of "The Law of Carriers," Mr. Dewitt C. Moore, had a thorough preparation for writing a text upon interstate commerce, and his work is a most excellent one in every particular.

The greater part of the volume has to do with interstate commerce by rail. However, the discussion of the law upon this subject is preceded by chapters upon the definition of commerce, upon the history of federal regulation, and upon the nature of interstate commerce. The discussion of the interstate commerce act, as it now stands, amended by the legislation of last year, shows that the author thoroughly understands the economics of railroad transportation as well as its law. In view of the present attention being given to the principles of rate making and to what constitutes a reasonable rate, Mr. Moore's analysis of the elements to be considered in determining the reasonableness of rates—to which several chapters are devoted—is most timely and illuminating. The book closes with a long and admirable chapter upon the Sherman anti-trust act, in which the purpose of the enactment of this law is stated, this being followed by a detailed account of the interpretation of the law by the Supreme Court in all the important cases involving that act. In no other volume can so concise and satisfactory an account of the Sherman anti-trust law be found.

The volume is prefaced by a lengthy table of cases. The appendices include (1) the Text of the Interstate Commerce Act of 1887 as amended by subsequent acts down to and including that of April 13, 1908; (2) the Text of the Elkins Act of 1903, as amended in 1906; (3) the Text of the Mann-Elkins Act of June 18, 1910; (4) the Text of the Testimony and Expediting Acts of February 11, 1893 and 1903; and (5) the Text of the Immunity Act of June 30, 1906. Thus the table of cases, the main body of the work, and the appendices combine to make this volume an exceptionally useful handbook of the law of interstate commerce.

EMORY R. JOHNSON.

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**Nearing, Scott.** *Social Adjustment.* Pp. xvi, 377. Price, \$1.50. New York: Macmillan Company, 1911.

"To be scientific is to be popular. There is no renown worth having but that of the newspaper and the magazine and the classroom." This test of fitness of the literary effort of economists, laid down in the president's address before the American Economic Association in 1908, could scarcely be more fully met than in the present volume. With an attitude of mind in which doubts have no place, with a tendency to concentrate on striking facts and phases of social adaptation, and with a style equally clear and decisive, little

is left to be desired in the way of a work for popular educational purposes. The scholar of ultra-scientific bent will rebel at the dogmatic tone of the book, and this feeling will be intensified by the knowledge that some of the material on which conclusions are based is of rather fugitive and uncertain type. None the less, there is great value in such an interpretation of some of the significant material at hand in the field covered by the book. It focuses and challenges thought, it connects materials and views the organic relation which often escapes attention, and it reveals gaps in evidence which when filled will do much to shift some of our thinking from the speculative plane to a basis in fact.

The theory of the book is simple and clear. The process of social adjustment is that of realizing the normal in human capacity. Its negative aspect is the eliminating of social costs which arise in our economic and social order out of the various hindrances and handicaps to the attaining of the normal. These obstacles to human attainment are in one aspect a product of outworn traditions, and in another a result of the failure of social arrangements to keep pace with the rapid industrial changes of the century. Bad living and working conditions, inefficient governmental and educational machinery, and the accompanying exploitation of resulting weakness and ignorance are all evidences of this maladjustment. Public educational arrangements are uniform; they must be differentiated to meet new and varied needs. Wages are low, the family budget is cramped, children are underfed; the "single man" standard of wages must be replaced by a minimum standard that meets family requirements. There is overcrowding in cities, housing is bad, morbidity and mortality are high; city planning, housing reform, the redistribution of labor, and a more careful handling of our immigration policy, with related means, must overcome these evils. The dependence of women must be transformed into a position of independence; and the large family must go the way of the auk and the dodo. Similarly as regards working conditions, premature employment, overwork, unemployment, and industrial hazards must be eliminated wherever possible. Where their removal is impossible the burden must not take the form of wasted lives and broken families, but must be shifted to the community.

The agencies of reformation are varied. Reform must begin by developing a feeling of social responsibility, with the school as a basis of action. Then other educational devices—the trade union, philanthropic agencies, the newspaper and periodical press, social propaganda of every description—will serve to prepare the ground for the social expert. His work will ripen into social legislation and administration. And in this ultimate remedies will be found.

The road of social reconstruction is long and devious. It leads uphill much of the way, but the present volume does much to give it a uniform style of finger-posting.

ROSWELL C. McCREA.

*New York School of Philanthropy.*

**Nogaro, B., and Moyne, M.** *Les Régimes Douaniers.* Pp. 320. Price 3.50.  
Fr. Paris: A. Colin, 1910.

This handy and clearly written little book on tariff systems (260 pages, without the appendices), is intended mainly for French readers and has reference chiefly to French tariff legislation and administration. The definitions and preliminary chapters, however, are of general interest; and the sections on commercial treaties, the most-favored nation clause, preferential tariffs, differential and compensatory duties, and anti-dumping laws, will appeal to American readers. Brief but illuminating accounts are given, moreover, of the present tariff policies of France, Germany, the United States, Canada and Great Britain.

The second part of the book, containing about 100 pages, deals with the administration of customs laws in France. In analyzing the forces that led to the French tariff law of March 29, 1910, the authors, both of whom are professors in the University of Montpellier, are of the opinion that "the tariff revision of 1910 had its origin not in circumstances arising within the country, but was due principally to the situation to which France was reduced by the tariff legislation of foreign countries. . . . . The upward modification of European tariffs had become general, and our own products, although sometimes enjoying the benefit of the 'most-favored nation' treatment, were more heavily taxed abroad than foreign goods imported to France. Moreover, the extreme specialization introduced by the new tariff laws and commercial treaties was such that French goods were frequently excluded from the benefits of the most-favored nation treatment." Foreign trusts, the practice of dumping, and a vexatious administration of the customs laws by other nations are said also to have worked disaster to French export trade. The law of 1910, therefore, was in a sense a retaliatory measure, hastened by an increase of protectionist sentiment and influence in France.

In view of the recent enunciation in this country, by the Republican party, of the principle that protection should be so adjusted as to equal the difference between the domestic and the foreign cost of production, it is interesting to note that ex-Minister Méline speaks of the new French duties as "scientific," that is, as "equal to the difference between French and foreign costs of production."

C. W. A. VEDITZ.

*Washington, D. C.*

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**Osborn, C. S.** *The Andean Land.* 2 Vols. Pp. xxviii, 643. Price, \$5.00.  
Chicago: A. C. McClurg & Co., 1909.

These two volumes do not pretend to be an exhaustive treatise on South America. They contain the impressions of a keen observer, who combines an appreciation of the picturesque with a great number of incisive and shrewd comments on national characteristics and trade and commercial

possibilities. The most interesting chapters are those dealing with the countries of the west coast of South America.

The great weakness of American writers in dealing with the Latin-American countries has been their inability to appreciate a point of view different from their own, and to judge South American development exclusively by American standards. This danger Mr. Osborn has happily avoided, and it lends to his book exceptional value as an introduction to the subject. Books such as these, while they do not give to the reader a very deep knowledge of Latin-American civilization, perform the equally useful service of awakening greater interest in the growing significance of these countries. Mr. Osborn's book adds to the list of descriptive works which has been increasing so rapidly within recent years. We are now prepared, however, for a more serious monographie treatment, not only of each of the countries, but of each phase of national life as it expresses itself in Central and South America. Until we have such a series of monographs, students of Latin-American civilization cannot hope to form an accurate judgment as to the real significance of the political, economic and social development that is taking place to the south of the United States.

L. S. Rowe.

*University of Pennsylvania.*

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**Quinton, R. F. *Crime and Criminals, 1876-1910.* Pp. xvi, 259. Price, \$1.50.**  
New York: Longmans, Green & Co., 1910.

The author of this book served for twenty-five years as a medical officer in the Portsmouth, Millbank, Hull, Manchester, Liverpool, Wandsworth and Parkhurst prisons, and was subsequently for about nine years governor of Holloway Prison in London. This book gives in a somewhat discursive fashion many of his experiences and opinions.

The first two chapters contain statistics of the population of prisons which seem to indicate that crime has decreased in England during the last thirty years. This decrease is attributed in the main to rescue work done for boys who are likely to become criminals and also to improvement in the administration of prisons. In the third chapter prison labor is discussed. He condemns unproductive forms of labor, such as working on the tread-wheel, which existed in English prisons when he commenced his service in them.

In the next chapter the professional criminal who is to be found usually in the convict prisons is discussed. He points out the attractions a life of crime has for such individuals and describes the excellent conduct within the prison which characterizes many of these criminals.

The fifth chapter is devoted to a discussion of the habitual petty offenders to be found usually in local prisons, such as vagrants and drunkards. He describes the chronic fatigue which seems to characterize them and points out very wisely the utter uselessness of many times repeated short imprisonments for this type of criminal. In the next two chapters the author describes

approvingly the so-called Borstal system, which is an attempt to specialize the treatment of youthful offenders within the prisons so as to improve their condition physically and mentally and to teach them a trade. This attempt seems to be along the line of the American industrial reformatory, though the author criticises quite severely the Elmira Reformatory. In the eighth chapter he depicts the exceedingly bad conditions which existed in English prisons in the time of John Howard and shows their subsequent great improvement. Discipline in the English prisons and its deterrent and reformatory effects are the subject matter of the last two chapters. American prisons are here criticised for what he believes to be their too great laxity of discipline.

Dr. Quinton has had a long practical experience within prisons, as is shown by the character of the present volume. But the author seems to be quite ignorant of the literature of criminology and his knowledge is apparently of the purely empirical sort. Dr. Quinton is manifestly an uncompromising defender of the existing prison system. There are, of course, wide differences of opinion on this point.

MAURICE PARMELEE.

*University of Missouri.*

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**Stimson, F. J** *Popular Law Making.* Pp. xii, 390. Price, \$2.50. New York: Scribner's Sons, 1910.

Mr. Stimson's recent works on constitutional law are now supplemented by a discussion of statute law. The latest study is decidedly popular in style and will disappoint those who look for a scholarly analysis. The chapters devoted to the origin and history of law making by statute, forming the first third of the work, are decidedly the most thorough portion. There is little new material presented, but the development of the English parliament from a judicial to a legislative body, the gradual growth of the importance of statutory law and the character of some of the early legislation are ably discussed. The chapters on Early Labor Legislation and Laws Against Restraint of Trade and "Trusts" are in a field where the most valuable of Mr. Stimson's work has been done, and they are the best portion of the book.

The greater portion of the book is devoted to a discussion of American legislation and its tendencies. The chapters are sketchy in style—partly the result no doubt of the fact that the book is based on a series of lectures. There is evident the lawyer's prejudice against anything which modifies the sacred structure of the common law. "It has been well doubted . . . if this immense mass of legislation is a benefit at all" (p. 117). "Nobody is so willing to interfere with the rights or liberties of the people as the people themselves" (p. 121). If this be true, our first interest must be not what is the object of the book—to study the content of the laws that express our struggle for better conditions, but to find out the best way to hinder their passage and minimize their effects. Discouraging indeed must be the prospect

of those who seek social betterment by means of law if the author's point of view is correct.

Fortunately, however, his material, even with all its evidence of freak legislation and hastily made statutes, will not lead all his readers to his discouraging conclusion—indeed, the last chapters of the book, discussing the methods by which law making may be improved, show that the author himself does not fully accept his own argument.

The last two-thirds of *Popular Law Making* give chapters to the various branches of our social legislation. Laws on business affected with a public interest, on trusts, corporations, labor regulations, elections, racial and divorce legislation and criminal law and police are summarized in an easy and pleasing style though the author does not neglect the varied opportunities to castigate our state legislatures which his subject affords. The tone of the book is with few exceptions decidedly opposed to popular law making. Examples of this attitude are the belief in the unwise of the laws passed regulating rates and fares on railroads, doubts as to the changes proposed in the election of United States senators and as to primary elections. Woman's suffrage, the initiative, referendum and recall are of little promise or are openly opposed. It is a satisfaction to note that the author approves the legislation regulating the labor of women and children.

This book falls short of what the average reader will expect. It fails at two points. The treatment is sketchy and the repetitions and contradictions in thought and statement of fact are disconcerting. Secondly, the point of view is that of the man who worships the common law to such an extent that he overlooks the fact that the law is a progressive science, and that one of the greatest facts in its present development is the importance of the changes being wrought by statutory enactment.

CHESTER LLOYD JONES.

*University of Wisconsin.*

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**Sykes, Ella C. Persia and Its People.** Pp. 350. Price, \$2.50. New York: Macmillan Company, 1910.

At this time, when the control of Persia by Russia or Great Britain has become one of the big questions of the East, this book on Persia will be read with great interest. It gives a comprehensive survey of the country, its physical characteristics, government, religion and all that pertains to its people. The author states that the book is the result of two visits to Persia, extending over a period of about three years. Some of the descriptions come from her own observations, but much of it is taken from the writings of other English travelers, whom she quotes frequently. The book is a popular description of Iran and cannot be called scholarly. However, the poor arrangement of some of the material and the occasionally awkward English are forgotten in the interest the book awakens. Much valuable information is given and the author is in sympathetic touch with the country she describes.

The inspiring and glorious account of Persia's past serves as a gorgeous background for the Persia of to-day, with its crumbling ruins, its poverty and sterility, its corrupt and unwise government, the oppression of the peasants and trades people. The lack of communication checks real nationality and makes it impossible to tap the resources of the country. The Mohammedan faith is blamed for much of the inertia of the people. The belief in fate, the petrifying education of the men, and the ignorance and bondage of the women make real progress impossible.

The writer closes with a quotation from the Persian meaning "Good luck to Iran," and expresses the hope that some great Persian will arise and lead his country to prosperity. Perhaps this wish will be fulfilled by the British, who have already paved the way by their efficient policing of the Gulf of Oman.

LURENA WILSON TOWER.

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**Turnor, C. *Land Problems and National Welfare.*** Pp. xvii, 343. Price, \$2.50.  
New York: John Lane Company, 1911.

This book is evidence of the continued interest in agricultural problems among the people of Great Britain. It is written by a landowner, who came into an estate of 4200 acres in 1905, and gave up his profession as an architect to act the part of country gentleman. After four years of progressive and profitable farming, he retired from active farming, rented his estate, and apparently became a politician and writer. The present volume gives the author's reflections and conclusions on the subjects of land-holding, agricultural organization, economics, education, politics, and imperial federation.

Mr. Turnor concludes, among other things, that small holdings should be encouraged, but "not unduly" so. Landowners should cultivate the soil more intensively and not preserve so much game; farmers should be better educated and more progressive; labourers should likewise be better educated and should take more interest in their work. Agricultural schools and courses of study along agricultural lines should be increased and extended; in this connection the author notes with approval the work done in the United States. In the chapter on "Political Economy and the Land" the author approves of import taxes on foodstuffs, if they will "benefit the producer." His familiarity with the science of economics is sufficiently illustrated by the following sentence: "From the standpoint of political economy, the middleman, the distributor, is not as useful a citizen as the producer" (p. 208).

The remedies, which are discussed in the last three chapters, evidently lay nearest the writer's heart. These are almost purely political. "The chief problem for the agriculturist is how to make the agricultural influence a power within the House of Commons" (p. 262). As the best way to do this he advocates the formation of a new national party, to support which he would have all English farmers contribute two shillings each to a special Parliamentary fund.

Such a volume may have a certain value in arousing interest in some of the problems connected with the land in Great Britain, but as a contribution to the solution of agricultural problems it is worthless. What interest it has for the reader will depend upon the latter's readiness to accept the writer's unsupported opinions on various subjects. The book is filled with sweeping generalizations, as "on the continent as a whole farms are less well equipped than in England" (p. 12). Nowhere does the author critically analyze or even evidence a thorough understanding of the really fundamental problems in English agriculture, nor are his remedies more than political palliatives. Compared with such valuable contributions to the subject as those of Rider Haggard, Pratt, Seeböhm Rowntree, and Sir Horace Plunkett, the present volume must be characterized simply as the observations of a none-too-well-informed onlooker.

ERNEST L. BOGART.

*University of Illinois.*

**Van Hise, Charles R.** *The Conservation of Natural Resources in the United States.* Pp. xiv, 413. Price, \$2.00. New York: Macmillan Company, 1910.

This timely volume serves two purposes: it sets forth the essential facts about our real natural wealth; and it states plainly what must be done to conserve that wealth for future generations. The subject matter is drawn largely from the voluminous report of the National Conservation Commission, published as Senate Document No. 676, of the 60th Congress, 2nd Session. The report contains much material not covered by the book, but unfortunate opposition in Congress prevented the publication of an edition for public distribution. This volume, therefore, really makes generally available for the first time, the epoch-making report on the state of our national resources. Additional material is introduced here and there, but to no great extent.

The subject matter is discussed under the five heads: mineral resources; water; forests; the land; and the conservation of mankind. The first four of these heads are the most important part of the book. Under each head the discussion includes extent and location of resources, their present use, waste, abuses, and the suggested means of preventing unnecessary impairment of these sources of national strength. The great principle that real conservation is simply wise use is constantly in the foreground. The amount of information which is conveyed in small space is amazing.

The reviewer is now using the book as a text and finds that it arouses the keenest interest among all types of students. It is a book which anyone can read with both pleasure and profit. It is a book which every man in the country should read carefully from cover to cover.

WALTER S. TOWER.

*University of Pennsylvania.*



## INDEX OF NAMES

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**ABBREVIATIONS.**—In the Index the following abbreviations have been used: *pap.*, principal paper by the person named; *b.*, review of book of which the person named is the author; *r.*, review by the person named.

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